



# POWER TO DO MORE

**INTERIM REPORT**  
As at June 30, 2019



# Management's Discussion and Analysis 2

As at June 30, 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 for nearly 30 years.

Boralex's shares and convertible debentures are listed on the Toronto Stock Exchange under the ticker symbols BLX and BLX.DB.A. As at June 30, 2019, the Caisse de dépôt et placement du Québec, one of Canada's largest institutional investors, held 19.9% of Boralex's outstanding shares.

## Highlights

### For the three-month periods ended June 30

	IFRS		Combined <sup>(1)</sup>	
	2019	2018	2019	2018
(in millions of Canadian dollars, unless otherwise specified) (unaudited)				
Power production (GWh) <sup>(2)</sup>	1,009	775	1,267	909
Revenues from energy sales and feed-in premium	121	95	148	110
EBITDA(A) <sup>(1)</sup>	83	57	103	68
Net loss	(15)	(33)	(15)	(33)
Net loss attributable to shareholders of Boralex	(13)	(28)	(13)	(28)
Per share (basic and diluted)	(\$0.14)	(\$0.36)	(\$0.14)	(\$0.36)
Net cash flows related to operating activities	113	52	124	59
Cash flows from operations <sup>(1)</sup>	55	21	59	26

### For the six-month periods ended June 30

	IFRS		Combined <sup>(1)</sup>	
	2019	2018	2019	2018
(in millions of Canadian dollars, unless otherwise specified) (unaudited)				
Power production (GWh) <sup>(2)</sup>	2,293	1,872	2,946	2,155
Revenues from energy sales and feed-in premium	293	247	362	278
EBITDA(A) <sup>(1)</sup>	214	161	257	182
Net earnings (loss)	16	(10)	16	(10)
Net earnings (loss) attributable to shareholders of Boralex	16	(8)	16	(8)
Per share (basic and diluted)	\$0.18	(\$0.10)	\$0.18	(\$0.10)
Net cash flows related to operating activities	178	162	196	174
Cash flows from operations <sup>(1)</sup>	156	98	180	111
	As at June 30,	As at Dec 31,	As at June 30,	As at Dec 31,
Total assets	4,783	4,767	5,461	5,425
Debt, including non-current debt and current portion of debt	3,181	3,271	3,750	3,855

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

<sup>(2)</sup> GWh for which NRWF wind farm was compensated following power limitations were 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.

## Combined – Non-IFRS measure

The combined information ("Combined") presented above and elsewhere in this management's discussion and analysis 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* line items are replaced by Boralex's respective share (ranging from 50% to 59.96%) in the financial statement items of the Interests (revenues, expenses, assets, liabilities, etc.). We refer you to the *Non-IFRS measures* section for more information.

# Abbreviations and definitions

In alphabetical order

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

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

# Introductory comments

## General

This Interim Management's Discussion and Analysis ("MD&A") reviews the operating results and cash flows for the three-month and six-month periods ended June 30, 2019, compared with the corresponding periods of 2018, as well as the Corporation's financial position as at June 30, 2019, compared to December 31, 2018. This report should be read in conjunction with the unaudited interim condensed consolidated financial statements and related notes found in this Interim Report, as well as with the consolidated financial statements and related notes found in the most recent Annual Report for the fiscal year ended December 31, 2018.

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

In this MD&A, Boralex or the Corporation means, as applicable, either Boralex and its subsidiaries and divisions or Boralex or one of its subsidiaries or divisions. The information contained in this MD&A reflects all material events up to August 7, 2019, the date on which the Board of Directors approved this interim MD&A and the unaudited interim consolidated financial statements. Unless otherwise indicated, the financial information presented in this MD&A, including tabular amounts, is prepared in accordance with IFRS under Part I of the *CPA Canada Handbook*. The unaudited interim consolidated financial statements included in this MD&A have been prepared according to IFRS applicable to the preparation of financial statements, IAS 1, *Presentation of Financial Statements*, and contain comparative figures for 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 above, the Corporation also presents Combined information that incorporates its share of the financial statements of the Interests. These terms are defined in the *Non-IFRS measures* section.

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

## Notice concerning forward-looking statements

The purpose of this MD&A is to help the reader understand the nature and importance of changes and trends as well as the risks and uncertainties that may affect Boralex's operating results and financial position. Accordingly, some of the statements contained in this analysis, including those regarding future results and performance, are forward-looking statements based on current expectations, within the meaning of securities legislation. Positive or negative verbs such as "will," "would," "forecast," "anticipate," "expect," "plan," "project," "continue," "intend," "assess," "estimate" or "believe," or expressions such as "toward," "about," "approximately," "to be of the opinion," "potential" or similar words or the negative thereof or other comparable terminology, are used to identify such statements. They are based on Boralex management's expectations, estimates and assumptions as at August 7, 2019.

This forward-looking information includes statements about revenue diversification, optimization, solar power development and storage, broadening the target customer base by signing contracts directly with electricity-consuming companies, gradual development of complementary services, sales of minority interests, debt refinancing, synergies and financial objectives for 2023, including objectives for discretionary cash flows in 2023, wind power and other renewable energy production projects in the pipeline and their expected performance, EBITDA(A), EBITDA(A) margins and discretionary cash flow targets of Boralex or those expected to be generated in the future, the Corporation's forecasted financial results, future financial position, installed capacity or megawatt growth objectives or targets, including those set in connection with the Corporation's *Growth path*, growth outlook, 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.

Some of the statements contained in this report, including those regarding future results and performance, are forward-looking statements based on current expectations, within the meaning of securities legislation. 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, regulatory disputes and other issues related to projects in operation or under development, 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, Boralex management does not assume any obligation to update or revise forward-looking statements to reflect new information, future events or other changes.

# Description of business

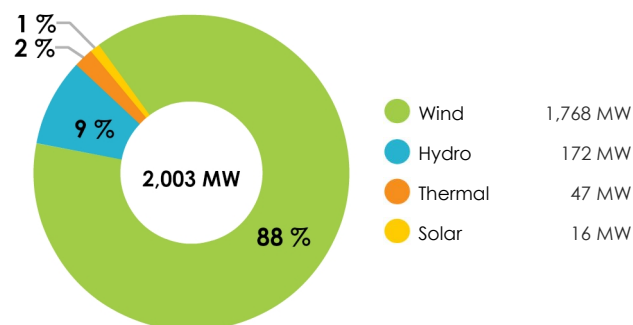
Boralex is a Canadian corporation operating in the renewable energy segment. It draws on a workforce of over 420 people to develop, build and operate power generating facilities in Canada, France, the United States and the United Kingdom. As at June 30, 2019, its asset base of installed capacity under its management comprised 2,003 MW<sup>(1)</sup>. Asset development projects in progress represent an additional 82 MW, to be commissioned by the end of 2020. The following charts provide information about the makeup of the Corporation's energy portfolio in operation as at June 30, 2019.

## Segment breakdown: Four complementary power generation types

The **wind** power segment accounts for a large majority (88%) of installed capacity. Projects under development and under construction will add 72 MW by the end of 2020.

The Corporation's 16 **hydroelectric** power stations make up 9% of installed capacity. Work is underway to increase capacity by 10 MW in 2019 at the Buckingham power station in Québec.

Two **thermal** power stations (2%) and three **solar** power facilities (1%) complete the Corporation's portfolio.

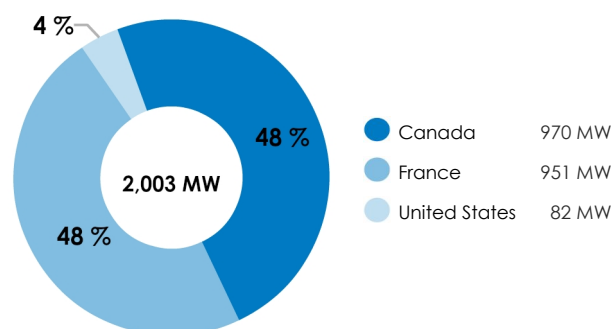


## Geographic breakdown: Three key markets

In **Canada**, Boralex is active in four power generation segments: wind, hydroelectric, thermal and solar. That being said, wind power accounts for the largest percentage of production with an installed capacity under its control of 844 MW.

In **France**, a large portion of Boralex's installed capacity originates from wind farms, totalling 924 MW, making it France's largest independent producer of onshore wind power. Projects under development will add a total of 72 MW. The wind farms are complemented by a natural gas cogeneration power station and two solar energy facilities.

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

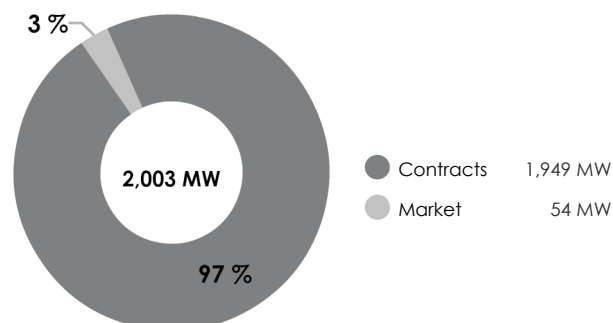


## Breakdown of sources of revenues from energy sales and FiP: 97% under long-term contracts

Substantially all (97%) of GWh generated by Boralex are covered by long-term indexed, fixed-price energy sales contracts.

The Corporation estimates that the equivalent of 232 MW (12% of installed capacity or 8% of expected current production) covered by contracts expiring through June 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**.



<sup>(1)</sup> This data, as well as all of the data in this MD&A, reflects 100% of Boralex's subsidiaries in which the Corporation is the controlling shareholder. The data also reflects Boralex's share in entities over which it does not have control 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 Invenenergy's interests in five wind farms in Québec, out of the total installed capacity of 391 MW.

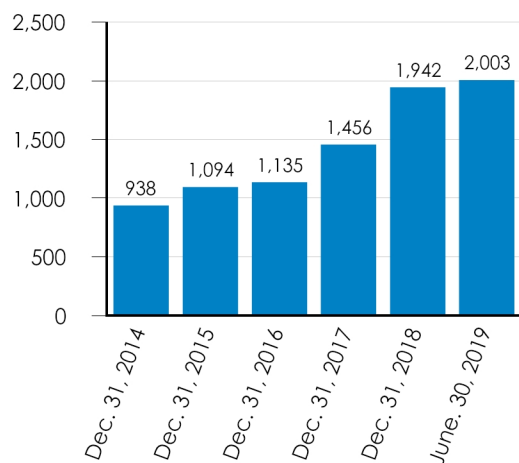
## Selected financial information: A growth company

Boralex's installed capacity increased from 938 MW as at December 31, 2014 to 2,003 MW as at June 30, 2019, which represents annual compound growth of 16% for this period of nearly five years. This growth has been achieved both organically and through acquisitions. Over the recent years, Boralex's EBITDA(A) and market capitalization have grown at annual compound rates of 26% (24% on a Combined basis) and 29%, 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 twelve-month period ended June 30, 2019 amounted to \$56 million.

### Installed capacity

(in MW)

Compound annual growth rate: 16%

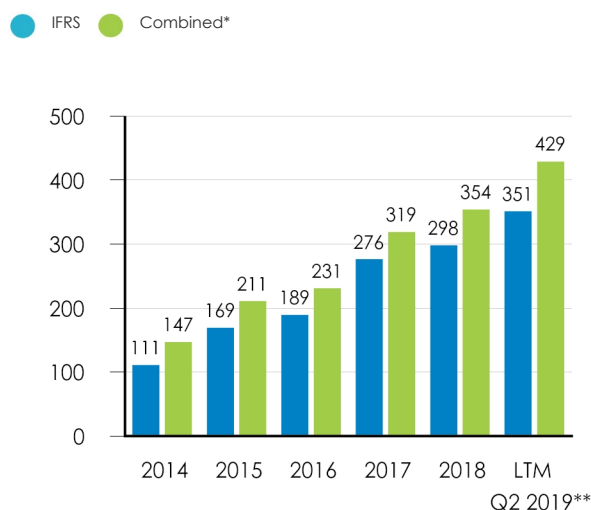


Organic growth: +429 MW	Acquisitions: +636 MW
Average annual growth of 7%	Average annual growth of 10%

### EBITDA(A)\*

(in millions of Canadian dollars)

Compound annual growth rate: 26% (IFRS) and 24% (Combined)



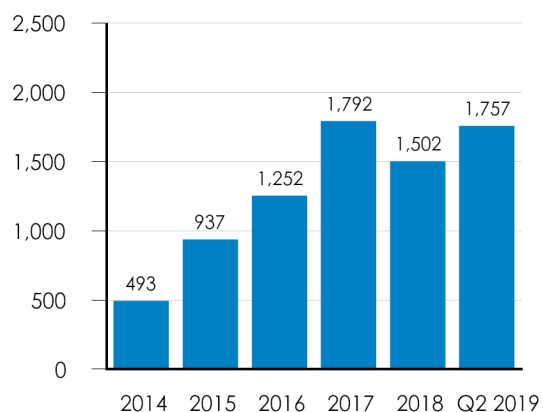
\* See the Non-IFRS measures section.

\*\* EBITDA(A) on a Combined basis for the 12-month period ended June 30, 2019 is broken down as follows: Q2-19: \$103 million; Q1-19: \$154 million; Q4-18: \$121 million; and Q3-18: \$51 million, for a total amount of \$429 million.

### Market capitalization

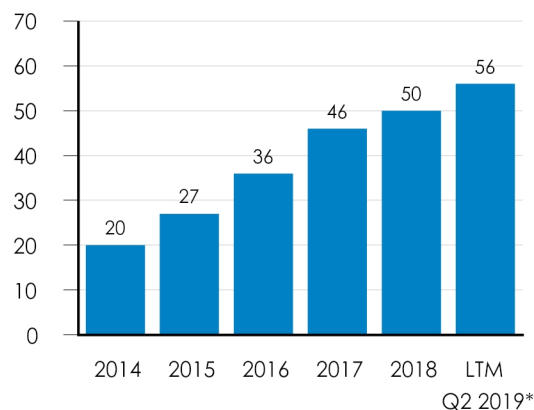
(in millions of Canadian dollars)

Compound annual growth rate: 29%



### Dividends paid

(in millions of Canadian dollars)



\* Dividend amount paid for the 12-month period ended June 30, 2019 is broken down as follows: Q2-19: \$14 million; Q1-19: \$15 million; Q4-18: \$15 million; and Q3-18: \$12 million, for a total amount of \$56 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.

The new plan sets out four main strategic directions and three financial objectives and 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 under way, driven mainly by numerous technological innovations.

STRATEGIC PLAN AT A GLANCE	
Strategic directions	Financial objectives for 2023
<b>Growth</b> Continue development activities in the European and North American markets, where the Corporation is already active and which offer high growth potential for renewable energies.	<b>Discretionary cash flows</b> Generate discretionary cash flows of \$140 million to \$150 million in 2023 which will represent annual compound growth of about 20% for the 2018-2023 period.
<b>Diversification</b> Strengthen our presence in the solar power sector and participate in developing the energy storage market.	<b>Dividend</b> Pay an ordinary dividend equivalent to a dividend payout ratio of 40% to 60% of discretionary cash flows.
<b>Customers</b> Adopt new business models directly targeting electricity-consuming companies for the sale of energy and the provision of complementary services.	<b>Installed capacity</b> Develop a portfolio of energy assets to achieve a gross installed capacity managed by the Corporation of over 2,800 MW in 2023.
<b>Optimization</b> Maximize synergies and optimize operational costs and diversify our sources of financing.	

To successfully implement its strategic plan and achieve its financial objectives, 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

Boralex will implement its strategic plan based on the growth potential in the markets in which it operates. The table below provides an overview of the potential of its target geographic markets in Europe and North America in terms of installed capacity.

The wind power segment remains its top growth vector, accounting for 88% of Boralex's installed capacity as at June 30, 2019. Based on the analyses performed, this segment represents a total market potential of 10,550 MW for the Corporation while its pipeline at various stages of development total 2,050 MW. The potential market for the solar power segment amounts to about 20,000 MW. The Corporation intends to substantially strengthen its presence in this segment while its current pipeline in this segment amounts to a total of 450 MW.

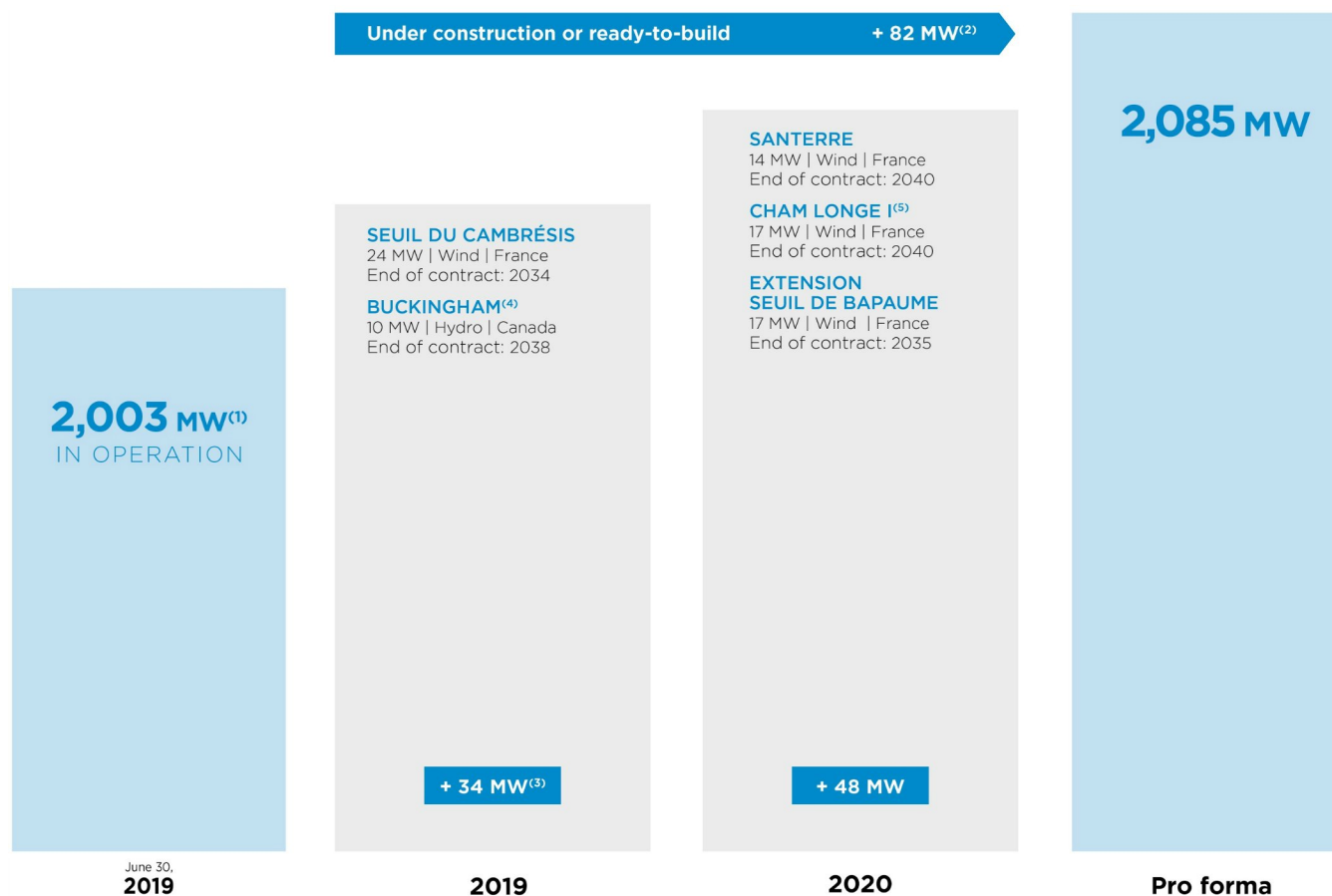
## Targeted market potential and pipeline

(in MW)

EUROPE				NORTH AMERICA				TOTAL BORALEX			
TARGETED MARKET POTENTIAL				TARGETED MARKET POTENTIAL				TARGETED MARKET POTENTIAL			
WIND	9,500	SOLAR	11,000	WIND	1,050	SOLAR	9,000	WIND	10,550	SOLAR	20,000
TOTAL 20,500				TOTAL 10,050				TOTAL 30,550			
PIPELINE				PIPELINE				PIPELINE			
WIND		SOLAR		WIND		SOLAR		WIND		SOLAR	
Stages		Stages		Stages		Stages		Stages		Stages	
Early	400	Early	100	Early	-	Early	200	Early	400	Early	300
Middle	350	Middle	100	Middle	-	Middle	-	Middle	350	Middle	100
Advanced	250	Advanced	50	Advanced	1,050	Advanced	-	Advanced	1,300	Advanced	50
Total	1,000	Total	250	Total	1,050	Total	200	Total	2,050	Total	450
TOTAL 1,250				TOTAL 1,250				TOTAL 2,500			
GROWTH PATH				GROWTH PATH				GROWTH PATH			
WIND	72	SOLAR	-	WIND	-	SOLAR	-	WIND	72	SOLAR	-
				HYDRO	10			HYDRO	10		
TOTAL 72				TOTAL 10				TOTAL 82			

The *Growth path* chart below shows the projects that have obtained all the authorizations required for launching construction. These projects are slated for commissioning by the end of 2020.

## Growth path<sup>(1)</sup>



<sup>(1)</sup> This data, as well as all the data contained in the Interim Report as at June 30, 2019, reflects 100% of Boralex subsidiaries in which the Corporation is the controlling shareholder. The data also reflects Boralex's share in entities over which it does not have control which are accounted for using the equity method in the Interim Report as at June 30, 2019, consisting of 170 MW in the Joint Ventures operating the Seigneurie de Beauré Wind Farms in Québec, representing 50% of the total installed capacity of 340 MW, plus 201 MW from five wind farms in Québec, following the acquisition of Invenenergy's interests in these facilities which was completed on September 14, 2018.

<sup>(2)</sup> France 72 MW | Canada 10 MW

<sup>(3)</sup> Hydro 10 MW | Wind 24 MW

<sup>(4)</sup> Project whose current capacity of 10 MW is to increase to 20 MW.

<sup>(5)</sup> Project whose current capacity of 18 MW is to increase to 35 MW while the initial contract expiry date of 2020 is to be extended by 20 years.

In the aggregate, these projects will add 82 MW to installed capacity, increasing total capacity from 2,003 MW as at June 30, 2019 to 2,085 MW at the end of 2020. The completion of these projects will require a total planned investment of about \$255 million for an estimated additional contribution to annual EBITDA(A) of \$30 million. Over \$85 million have already been invested in these projects as at June 30, 2019 while additional investments of about \$170 million will be required to complete them. These projects will be financed by loans up to approximately \$180 million.

## Details of projects in development stage

Project name	Total capacity (MW)	Segment/Country	Energy contract term/Client	Ownership (%)	Expected commissioning	Total project investment <sup>(1)</sup> (2)	Estimated annual EBITDA <sup>(2)</sup>
Seuil du Cambrésis	24	Wind/France	15 years/EDF/FiP	100	2 <sup>nd</sup> half of 2019	€40 million	€5 million
Buckingham <sup>(3)</sup>	20	Hydro/Canada	25 years/HQ	100	2 <sup>nd</sup> half of 2019	\$50 million	\$8 million
Santerre	14	Wind/France	20 years/EDF/FiP	100	1 <sup>st</sup> half of 2020	€26 million	€3 million
Cham Longe II <sup>(4)</sup>	35	Wind/France	20 years/EDF/FiP	100	2 <sup>nd</sup> half of 2020	€45 million	€6 million
Extension Seuil de Bapaume	17	Wind/France	15 years/EDF/FiP	100	2 <sup>nd</sup> half of 2020	€27 million	€3 million

<sup>(1)</sup> These amounts are estimated as of the date of this MD&A. However, actual results may differ from these estimates.

<sup>(2)</sup> See *Notice concerning forward-looking statements*.

<sup>(3)</sup> This 10 MW increase in installed capacity to result in the addition of \$5 million to current EBITDA.

<sup>(4)</sup> This 17 MW increase in installed capacity to result in the addition of €4 million to current EBITDA.

## Developments by strategic direction

### Growth

The Corporation will continue to strengthen its presence in the markets, where it is already active and which offer high growth potential for renewable energies.

### Europe

In Europe, the wind power segment remains a growth driver for Boralex, with a potential target market of 9,500 MW resulting from the energy transition underway, primarily in France.

In France, the Corporation has a pipeline at various stages of development totalling over 1,000 MW. In light of its long-term presence and deep knowledge of this market, the Corporation can draw on its numerous strengths to capitalize on the favourable environment for the growth of the renewable energy sector, particularly wind power. The Corporation will actively participate in tenders scheduled up to the end of 2020 for building onshore wind farms with an installed capacity of 3,400 MW and a 20-year contract each. Note that following the June 2018 tender, only 118 MW was awarded out of a potential of 500 MW with Boralex winning the lion's share of a total of 49 MW for the **Santerre** and **Cham Longe I** projects. Under the April 2019 tender, three of the Corporation's onshore wind power projects were selected (**Bois des Fontaines** (25 MW), **Helfaut** (20 MW) and **Caumont Chériennes** (23 MW)) for a total of 68 MW. The Corporation is one of the top three bidders under this third tender with a 60% success rate since the projects submitted totalled 118 MW. These projects will be added to the *Growth path* when the administrative procedures are completed. Once commissioned, the three wind farms will be covered by 20-year energy sales contracts.

As set out in the *Growth path*, Boralex plans to add four new wind farms for an additional installed capacity of 24 MW in 2019 and 48 MW in 2020. In May 2019, the Board of Directors of Boralex gave the green light to the implementation of the **Extension Seuil de Bapaume** (17 MW) wind power project. This project, which was part of the pipeline acquired from Ecotera, will be commissioned in the second half of 2020. These assets, which are all covered by long-term indexed, fixed-price energy sales contracts, will contribute to the Corporation's results as they are commissioned (see the *Details of projects in development stage* table above).

Boralex began fiscal 2019 with 285 MW in additional installed capacity in France compared with a year earlier due to the prior year's commissioning and acquisitions. These facilities will contribute to its operating and financial performance throughout the current fiscal year. In addition, the **Basse Thiérache Nord** (20 MW) wind farm started to contribute to performance since February 1, 2019, and the **Catésis** (10 MW) wind farm since June 1, 2019.

On July 7, 2017, the Administrative Tribunal of Rennes had cancelled the construction permits for the **Moulins du Lohan** (51 MW) project. Work was then suspended while Boralex appealed the decision. On March 5, 2019, the Administrative Court of Appeal of Nantes rendered decisions favourable to Boralex. However, the Société pour la protection des paysages et de l'esthétique de la France has challenged the decision of the Administrative Court of Appeal in May 2019 and filed an appeal in cassation to the Council of State. The admissibility of the appeal is under consideration.

## North America

For the wind segment in North America, the Corporation is targeting a potential market of 1,050 MW. Canada is offering the greatest number of opportunities, with large-scale wind projects at an advanced stage which are however awaiting a more favourable political and energy environment. Alberta is the market with the greatest growth potential, particularly as a result of the REP tendering program or any subsequent programs. Boralex continues to leverage its partnership with developer AWEC to participate in competitions called under this energy transition program.

The hydroelectric segment contributed to a lesser extent to the Corporation's growth with the preliminary commissioning of a first power station in Ontario during the quarter. In October 2018, the Corporation provided the IESO with all the required documents for the **Yellow Falls** power station, to be deemed commissioned under the terms of the power purchase agreement. Pending finalization of the remaining steps of the COD process with IESO, power production is sold at market prices. The commissioning of this power station increased the Corporation's installed capacity in the hydroelectric power segment to 172 MW and should generate annual EBITDA of approximately \$7 million once the commissioning process is completed. The energy produced will be sold under a contract with a total term of 40 years.

The Corporation started fiscal 2019 with installed capacity in Canada up 201 MW compared with the prior year following the acquisition of Invenergy's interests in September 2018. These facilities will contribute to results throughout the current fiscal year. Contributions will also be made by the **Moose Lake** (15 MW) facility, Boralex's first wind farm in British Columbia, which was commissioned on April 4, 2019.

## Diversification

The Corporation will be seeking to further diversify its operations by targeting the solar power and energy storage sectors.

## Europe

Europe remains the region with the greatest opportunities for solar power generation; the Corporation is focusing its efforts on a potential market totalling 11,000 MW.

Boralex intends to accelerate the development of this segment in France and is leveraging its existing facilities to strengthen its expertise in this sector. The Corporation holds the rights to a number of development projects in France, including the **Cruis** (15 MW) solar power project which was recently selected as part of the third round of tenders for the construction and operation of solar power projects. The project will be included in the *Growth path* if and when all the preliminary steps are successfully completed. If this facility is commissioned, it will nearly double installed capacity of the solar power segment in France.

## North America

In North America, Boralex is targeting a potential market of some 9,000 MW. The Corporation intends to deploy resources to develop a network of small- and medium-sized solar energy facilities in Northeastern United States, an area requiring special expertise and where competition is less intense. It will initially focus its efforts on the high potential New York State market and expects to open an office in New York and hire personnel to complement the Canada development team.

The Corporation also intends to capitalize on the significant cost reductions in battery storage technologies to gradually deploy an energy storage service to meet the emerging needs of the power distribution grids.

Among other things, energy storage facilitates the penetration of renewable energies, ensuring stability of the electricity grid, and contributing to the integration of solar energy by shifting the distribution of excess power produced during daytime to periods with high consumption needs such as evenings. It provides the necessary energy during peak consumption or supply system failures and improves the reliability and flexibility of the electricity grid while limiting spending on new infrastructure, such as stations or lines.

Boralex is making its initial foray into this sector with the view that storage is a complementary option to promote the widespread use of renewable energies and accelerate the energy transition.

## Customers

The Corporation expects to implement new business models to serve a wider customer base. These models rely on the signing of energy sales contracts directly with electricity-consuming companies, as well as the gradual addition of complementary services offered to the energy transmission networks and large-scale electricity users.

On June 24, 2019, Scotland's government announced its approval for the **Limekiln** (90 MW) wind power project. This wind power project, which is jointly owned by Boralex and its British partner Infinergy, must fulfill certain administrative steps before the expected start of construction in 2021 and its commissioning in 2022. In particular, this announcement paves the way for the implementation of the business model based on the sale of energy directly to electricity-consuming companies since there is no predefined power purchase program in Scotland. Boralex and its partner are currently assessing the possibility of entering into power purchase agreements with one of these companies, which will be Boralex's first contract of its kind, as a preliminary stage to the construction phase.

Boralex is well placed to penetrate the U.K. market following the acquisition of a pipeline in September 2016 combined with the partnership entered into in October 2017 with Infinergy. The Corporation owns the rights to a large pipeline of projects, mainly in Scotland, representing a total installed capacity estimated at 325 MW. These projects will be developed using the same model as for the **Limekiln** project.

## Optimization

This strategic direction comprises two main components: consider the potential sale of minority interests in future energy assets to ensure an optimal allocation of capital; increase synergies within the Corporation and ensure optimal use of existing resources and assets, either through initiatives to reduce maintenance or financing costs, or through the repowering of existing equipment.

Two projects underway demonstrate the preferred approach for ensuring optimal resource allocation, namely the repowering project for the **Cham Longe I** wind farm in France. Its installed capacity will increase from 17 MW to 35 MW following the replacement of wind turbines with higher efficiency equipment, which should generate an additional contribution to annual EBITDA(A) of €4 million.

Work at the **Buckingham** hydroelectric power station is another example of optimization. Replacement of a number of turbines will double the installed capacity to 20 MW, adding some \$5 million to the Corporation's annual EBITDA(A). The new turbines will be commissioned in the second half of 2019. The power station will not produce any power throughout the work period from September 2018 up to commissioning.

Furthermore, to reduce costs and optimize financing sources, the Corporation refinanced a loan with a third party in France. On April 25, 2019, Boralex Europe Sàrl closed the refinancing of a debt totalling \$60 million (€40 million) owed to Cube Hydro-Power SARL with the Caisse, shareholder of the Corporation, as partner. The credit agreement stipulates repayment of the full amount of the loan on the maturity date set at five years after the signing. The loan will bear interest at a variable rate up to the date of conversion, which is for a maximum period of 12 months, and at a fixed rate thereafter.

## Financial objectives - current status

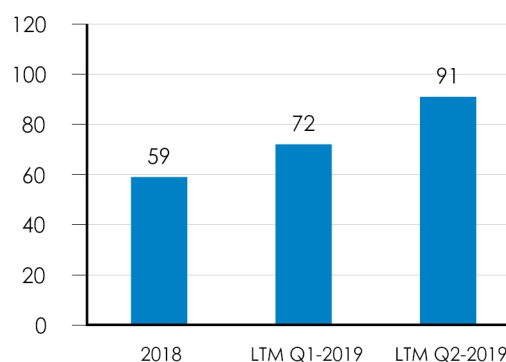
To ensure that actions taken as part of the strategic plan drive disciplined growth and create value for the shareholders, Boralex's management tracks three criteria selected as financial objectives.

### Discretionary cash flows

As at June 30, 2019, discretionary cash flows amounted to \$91 million on a rolling 12-month basis. This represents an increase of 54% from \$59 million in 2018, stemming from improved operational results since the beginning of the year, mainly following the contributions of facilities acquired and commissioned over the past year.

### Discretionary cash flows\*

(in millions of Canadian dollars)



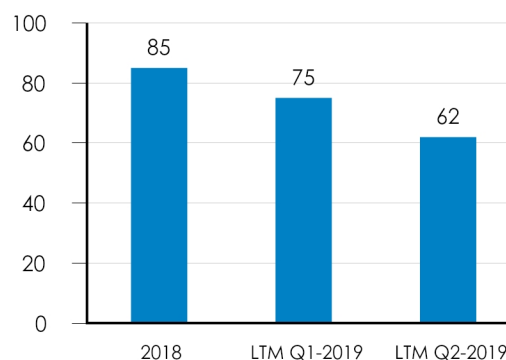
\* See the Non-IFRS measures section.

### Dividend

As at June 30, 2019, the dividend paid to shareholders represented a payout ratio of 62%, on a rolling 12-month basis. With the improvement in discretionary cash flows since the beginning of the current fiscal year, the dividend payout ratio is now closer to the target ratio of 40% to 60%.

### Dividend payout ratio\*

(in %)



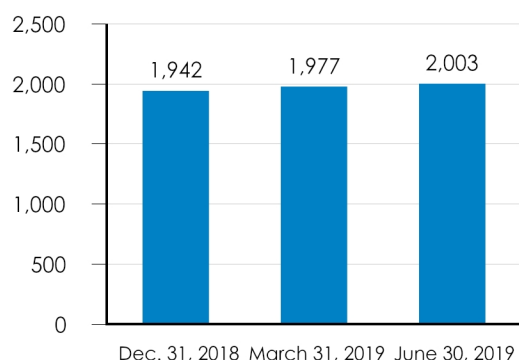
\* See the Non-IFRS measures section.

## Installed capacity

As at June 30, 2019, Boralex's installed capacity amounted to 2,003 MW, up 61 MW since the beginning of the year, including the commissioning of three wind farms and a hydroelectric power station (see the *Acquisitions and commissioning* table below).

### Installed capacity

(in MW)



Acquisition and commissioning – since January 1, 2018					
Project name	Date <sup>(1)</sup>	Total capacity (MW)	Country	Energy contract term <sup>(2)</sup>	Ownership (%)
<b>Kallista</b>	June 20	163	France	15 years/EDF	Note <sup>(3)</sup>
<b>DM I and DM II, LP I, LP II and Roncevaux</b>	September 14	201	Canada	Note <sup>(4)</sup>	Note <sup>(5)</sup>
<b>Inter Deux Bos</b>	September 24	33	France	15 years/EDF	100
<b>Noyers Bucamps</b>	November 1	10	France	15 years/EDF/FiP	100
<b>Hauts de Comble</b>	November 5	20	France	15 years/EDF	100
<b>Côteaux du Blaiseron</b>	November 9	26	France	15 years/EDF	100
<b>Le Pelon</b>	January 1, 2019 <sup>(6)</sup>	10	France	15 years/EDF/FiP	100
<b>Sources de l'Ancre</b>	January 1, 2019 <sup>(6)</sup>	23	France	15 years/EDF/FiP	100
<b>2018</b>		<b>+ 486 MW</b>	Installed capacity: <b>1,942 MW</b>		
<b>Basse Thiérache Nord</b>	February 1 and March 1	20	France	15 years/EDF/FiP	100
<b>Moose Lake</b>	April 4 <sup>(7)</sup>	15	Canada	40 years	70
<b>Catésis</b>	June 1	10	France	15 years/EDF/FiP	100
<b>Yellow Falls</b>	Ongoing <sup>(8)</sup>	16	Canada	40 years/IESO <sup>(8)</sup>	100
<b>2019</b>		<b>+ 61 MW</b>	Installed capacity : <b>2,003 MW</b>		

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

<sup>(2)</sup> In France, new rules have been introduced whereby the rates stipulated in future contracts will be set according to electricity market prices, plus a feed-in premium ("FiP").

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

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

<sup>(5)</sup> See the *Interests in the Joint Ventures and associates* note in the 2018 Annual Report.

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

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

<sup>(8)</sup> Pending finalization of the remaining steps of the COD process with IESO, power production is sold at market prices.

## Financial highlights

(in millions of Canadian dollars, unless otherwise specified) (unaudited)	Three-month periods ended June 30		Six-month periods ended June 30	
	2019	2018	2019	2018
<b>POWER PRODUCTION (GWh)</b>				
Wind power stations	636	490	1,674	1,314
NRWF compensation	73	28	83	70
	709	518	1,757	1,384
Hydroelectric power stations	255	194	414	359
Thermal power stations	38	57	110	119
Solar power stations	7	6	12	10
	1,009	775	2,293	1,872
<b>REVENUES FROM ENERGY SALES AND FEED-IN PREMIUM</b>				
Wind power stations	99	73	245	198
Hydroelectric power stations	16	14	28	28
Thermal power stations	5	7	18	19
Solar power stations	1	1	2	2
	121	95	293	247
<b>EBITDA(A)<sup>(1)</sup></b>				
Wind power stations	84	58	214	160
Hydroelectric power stations	12	10	20	20
Thermal power stations	1	1	7	5
Solar power stations	1	1	2	2
	98	70	243	187
Corporate and eliminations	(15)	(13)	(29)	(26)
	83	57	214	161
<b>NET EARNINGS (LOSS)</b>	(15)	(33)	16	(10)
<b>NET EARNINGS (LOSS) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX</b>	(13)	(28)	16	(8)
<b>NET EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX – BASIC AND DILUTED</b>	(\$0.14)	(\$0.36)	\$0.18	(\$0.10)
<b>NET CASH FLOWS RELATED TO OPERATING ACTIVITIES</b>	113	52	178	162
<b>CASH FLOWS FROM OPERATIONS<sup>(1)</sup></b>	55	21	156	98
<b>DIVIDENDS PAID ON COMMON SHARES</b>	14	12	29	23
<b>DIVIDENDS PAID PER COMMON SHARE</b>	\$0.1650	\$0.1575	\$0.3300	\$0.3075
Weighted average number of shares outstanding – basic	89,200,490	76,318,743	89,192,754	76,287,941

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

## Statement of financial position data

(in millions of Canadian dollars, unless otherwise specified) (unaudited)	As at June 30, <b>2019</b>	As at December 31, <b>2018</b>
Total cash, including restricted cash	256	253
Property, plant and equipment	2,773	2,918
Total assets	4,783	4,767
Debt, including non-current debt and current portion of debt	3,181	3,271
Liability component of convertible debentures	141	140
Total liabilities	3,962	3,851
Total equity	821	916
Net debt to market capitalization ratio <sup>(1)</sup> (%)	61	65

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

# Analysis of consolidated operating results for the three-month period ended June 30, 2019

Revenues from energy sales and feed-in premium up 27% due to contributions from assets acquired and commissioned over the past 12 months and improved wind conditions at existing facilities.

## Main differences in revenues from energy sales and feed-in premium and EBITDA(A)

(in millions of Canadian dollars) (unaudited)	Revenues from energy sales and FIP	EBITDA(A) <sup>(1)</sup>
<b>THREE-MONTH PERIOD ENDED JUNE 30, 2018</b>	95	57
Acquisitions/commissioning <sup>(2)</sup>	15	12
Volume	12	12
Foreign exchange effect	(1)	—
Leases - IFRS 16	—	4
Maintenance	—	1
Development	—	(2)
Other	—	(1)
Change	26	26
<b>THREE-MONTH PERIOD ENDED JUNE 30, 2019</b>	121	83

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

<sup>(2)</sup> For more details, refer to the Commissioning summary table in section I - Growth strategy of this report.

## Revenues from energy sales and feed-in premium

For the three-month period ended June 30, 2019, revenues from energy sales totalled \$121 million, up \$26 million or 27% compared with the results of the corresponding quarter of 2018. This increase resulted from both the expansion of the Corporation's wind power segment operating base, mainly in France since the end of the second quarter of 2018 and improved overall conditions at existing facilities in both the wind and hydro power segments.

The full-quarter contribution of the six wind farms commissioned in France in 2018 and the Kallista facilities acquired on June 20, 2018, plus the Basse Thiérache Nord and Moose Lake wind farms in the first quarter of 2019 and the Yellow Falls and Catésis power stations in the second quarter of 2019 resulted in a \$15 million favourable difference. At existing facilities, better wind and water flow conditions than last year resulted in a \$12 million favourable volume difference.

These increases largely offset the \$1 million unfavourable difference stemming from fluctuations in the exchange rate of the euro against the Canadian dollar.

The **wind** power segment remains the Corporation's main growth driver, with revenues up 35% owing to the contribution of facilities commissioned since the end of the second quarter 2018 and wind farms acquired from Kallista for the entire past quarter compared with 10 days last year, with a higher production volume at wind farms in France and the NRW facility in Canada, including compensation received in consideration for power limitations imposed by IESO. Overall, the wind power segment accounted for 81% of consolidated revenues in the second quarter of 2019.

The other operating segments reported varying degrees of revenue differences. Compared with the second quarter of 2018:

- **Hydroelectric** power segment revenues increased 15% to \$16 million, representing 13% of consolidated revenues for the past quarter. This increase was driven by improved water flow conditions at U.S. and Canadian power stations, partly offset by the production shutdown at the Buckingham power station throughout capacity upgrade work.
- **Thermal** power segment revenues fell 23% to \$5 million for the second quarter of 2019, representing 4% of consolidated revenues.
- **Solar** power segment revenues were stable at \$1 million.

In all, Boralex produced 936 GWh of electricity and was compensated for 73 GWh in the second quarter of 2019 compared with 747 GWh produced and 28 GWh compensated for during the same period last year. Excluding the contribution of assets acquired and commissioned in the past year, production at existing facilities was up 14% including NRW compensation. In general, the wind farms enjoyed better wind conditions than last year, except in Québec. Overall, both U.S. and Canadian hydroelectric power stations reported higher volumes than last year, despite the production shutdown at the Buckingham power station.

## EBITDA(A)

Consolidated EBITDA(A) for the second quarter of 2019 totalled \$83 million, up \$26 million or 44% from the corresponding quarter of 2018. This increase resulted from favourable variances totalling \$24 million driven by the contribution of assets acquired and commissioned over the past year, as well higher production volumes of existing facilities compared with last year. In addition, there were favourable variances of \$1 million owing to lower maintenance costs as a result of the termination of a maintenance contract in France and \$4 million due to the coming into force of IFRS 16, Leases (see the Accounting standards section for more details).

This was partially offset by increases of \$2 million in development costs and \$1 million in miscellaneous expenses, including payroll.

The **wind** power segment accounted for 86% of consolidated EBITDA(A) in the second quarter of 2019 (before the corporate segment and eliminations). Segment EBITDA(A) rose 45%, contributing \$26 million more to consolidated EBITDA(A) than in the second quarter of 2018.

Regarding the other operating segments:

- The **hydroelectric** power segment posted growth in EBITDA(A) of 25% to \$12 million, driven by higher production volumes.
- The **thermal** and **solar** power segments reported stable EBITDA(A) of \$1 million.

Excluding commissioning, revenues from energy sales and feed-in premium were up 10% in the second quarter of 2019 as compared to prior year while operating expenses fell 21%. The difference in the relationship of costs relative to revenues from energy sales and feed-in premium resulted from improved production at existing facilities, lower maintenance costs following the termination of a wind farm maintenance contract in France and the adoption of IFRS 16, Leases.

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

(in millions of Canadian dollars) (unaudited)

THREE-MONTH PERIOD ENDED JUNE 30, 2018	
EBITDA(A) <sup>(1)</sup>	(28)
Amortization	26
Impairment	(16)
Acquisition costs	12
Financing costs	7
Income taxes	(5)
Non-controlling interests	(4)
Other	(3)
Change	(2)
THREE-MONTH PERIOD ENDED JUNE 30, 2019	15
	(13)

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

## Amortization

Amortization expense for the second quarter of 2019 was up \$16 million to \$64 million, owing primarily to commissioning and acquisitions in France and Canada in 2018 and 2019, and the adoption of IFRS 16, Leases, which resulted in a \$3 million increase in amortization expense.

## Impairment

The Corporation recognized no impairment losses in the second quarter of 2019, resulting in a \$12 million favourable difference compared with impairment losses on property, plant and equipment recognized a year earlier, consisting of \$6 million (€4 million) for assets that were prematurely dismantled for the Cham Longe I wind farm repowering, \$4 million as a result of the unilateral termination of the energy purchase contract for the Otter Creek project by the IESO and \$2 million (€1 million) related to the carrying amount of the Lanouée forest assets.

## Acquisition costs

In the second quarter of 2018, the Corporation recognized acquisition costs of \$5 million (€3 million) in France, mainly in relation to the Kallista assets, and \$2 million in Canada under the agreement to acquire Invenergy's interests. As such costs were not recognized in the second quarter of 2019, it resulted in a \$7 million favourable difference.

## Financing costs

Financing costs for the second quarter of 2019 rose \$5 million to \$35 million, primarily as a result of the financing implemented and debt assumed by the Corporation as a result of acquisitions and asset commissioning over the past year, and the adoption of IFRS 16, Leases, under which lease liabilities were recognized in the statement of financial position for all of the Corporation's leases, which gave rise to a \$2 million interest expense.

## Income taxes

In light of loss before income taxes, the Corporation's income tax recovery was down \$4 million.

## Other

The \$2 million change resulted primarily from an increase in the net loss on financial instruments. This loss stemmed from the reversal of past gains on the inefficient portion of certain designated financial instruments.

## Net loss

As shown in the accompanying table, Boralex recognized a net loss of \$15 million for the three-month period ended June 30, 2019, compared with a net loss of \$33 million for the same period of 2018, resulting in a net loss attributable to shareholders of Boralex of \$13 million or \$0.14 per share (basic and diluted), compared with a net loss attributable to shareholders of Boralex of \$28 million or \$0.36 per share (basic and diluted) a year earlier. A \$2 million loss is attributable to non-controlling shareholders of Boralex as at June 30, 2019 (\$5 million net loss in 2018).

# Analysis of consolidated operating results for the six-month period ended June 30, 2019

Revenues from energy sales up 19% for the first six months of 2019 compared with the same period in 2018.

## Main differences in revenues from energy sales and feed-in premium and EBITDA(A)

(in millions of Canadian dollars) (unaudited)	Revenues from energy sales and FiP	EBITDA(A) <sup>(1)</sup>
<b>SIX-MONTH PERIOD ENDED</b>		
<b>JUNE 30, 2018</b>	247	161
Acquisitions/commissioning <sup>(2)</sup>	42	32
Share of the Interests - five wind farms in Québec	—	5
Volume	8	8
Foreign exchange effect	(2)	(1)
Leases - IFRS 16	—	7
Maintenance	—	2
Development	—	(2)
Other share of the Interests	—	5
Other <sup>(3)</sup>	(2)	(3)
Change	46	53
<b>SIX-MONTH PERIOD ENDED</b>		
<b>JUNE 30, 2019</b>	293	214

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

<sup>(2)</sup> For greater detail, see the *Commissioning overview* table in section I - *Growth strategy* of this MD&A.

<sup>(3)</sup> Consist of differences in capacity premiums, property taxes, lease costs, salaries and professional fees.

## Revenues from energy sales and feed-in premium

In the six-month period ended June 30, 2019, revenues from energy sales totalled \$293 million, up \$46 million or 19% from the same period a year earlier. As shown in the table above, this growth was driven in part by a \$42 million increase resulting from the contribution from wind farms that have been in operation since June 30, 2018 and from the assets acquired from Kallista. Moreover, production volume increases at existing facilities, for both wind and U.S. hydroelectric power stations, gave rise to a favourable difference of \$8 million. The combination of these items largely offset the \$2 million unfavourable foreign exchange effect owing mainly to fluctuations in the value of the euro against the Canadian dollar and a \$2 million change in miscellaneous items.

In all, Boralex produced 2,210 GWh of electricity and was compensated for 83 GWh in the first six months of 2019, up 22% from 1,802 GWh produced and 70 GWh compensated for during the same period of 2018. Excluding contributions from newly acquired or commissioned power stations, production at existing facilities including NRWF compensation was up 5% for the first six months of the year compared with last year. Overall, existing Canadian and French wind farms recorded higher production volumes year over year. With respect to the hydroelectric power segment, favourable performance at U.S. power stations since the beginning of the year offset lower production at existing Canadian power stations, owing to the production shutdown at the Buckingham power station.

## EBITDA(A)

For the first six months of 2019, consolidated EBITDA(A) amounted to 214 million, up \$53 million or 32% compared with the same period of 2018.

This increase was largely attributable to \$32 million in additional EBITDA(A) driven by expansion in the operating base since the beginning of fiscal 2018. In addition to this favourable difference, the Corporation recognized a \$5 million share of Interests in five Québec wind farms and \$5 million for the other Interests, as well as an \$8 million volume effect stemming from increased production at existing facilities, as discussed earlier. Other factors that have had a favourable impact included the \$2 million reduction in maintenance costs owing mainly to the termination of a maintenance contract for a wind farm in France and \$7 million related to the coming into force of IFRS 16, *Leases* (see the *Accounting standards* section for more details).

The inclusion of these items largely offset the unfavourable differences owing to the \$1 million foreign exchange effect resulting from fluctuations in the value of the euro against the Canadian dollar, as well as increases of \$2 million in development costs and \$3 million in miscellaneous costs.

Excluding commissioning, revenues from energy sales and feed-in premium were up 1% for the first six months of 2019 compared with the previous year, while operating expenses fell 15%. The lower operating expenses resulted mainly from the change in maintenance costs following the termination of a wind farm maintenance contract in France and the adoption of IFRS 16, *Leases*.

## Main differences in net earnings (loss) attributable to shareholders of Boralex

(in millions of Canadian dollars) (unaudited)

SIX-MONTH PERIOD ENDED JUNE 30, 2018	(8)
EBITDA(A) <sup>(1)</sup>	53
Amortization	(31)
Impairment	10
Acquisition costs	7
Financing costs	(10)
Income taxes	(6)
Non-controlling interest	(2)
Other	3
Change	24
SIX-MONTH PERIOD ENDED JUNE 30, 2019	16

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

## Amortization

In the first six months of 2019, amortization costs rose \$31 million compared with the same period last year to \$126 million, due in part to French and Canadian assets commissioned and acquired in 2018 and 2019, as well as the adoption of IFRS 16, *Leases*, resulting in an increase in amortization expense of \$7 million.

## Impairment

The Corporation recognized impairment losses totalling \$2 million in the first half of 2019, compared with \$12 million in the corresponding period of 2018, a favourable difference of \$10 million.

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

On the other hand, in the second quarter of 2018, impairment losses on property, plant and equipment totalled \$12 million, consisting of \$6 million (€4 million) for assets that were prematurely dismantled for the Cham Longe I wind farm repowering, \$4 million as a result of the unilateral termination of the energy purchase contract for the Otter Creek project by the IESO and \$2 million (€1 million) related to the carrying amount of the Lanouée forest assets.

## Acquisition costs

See the *Analysis of consolidated operating results for the three-month period ended June 30, 2019* section.

## Financing costs

For the first six months of 2019, financing costs rose \$10 million to \$68 million, compared with the same period last year. This increase related in part to financing implemented for the acquisition or construction of facilities, as well as the adoption of IFRS 16, *Leases*, under which lease liabilities are recognized in the balance sheet for all leases, which gave rise to an interest expense of \$4 million.

## Income taxes

In light of earnings (loss) before income taxes for the first six months of 2019, the Corporation recognized a \$6 million increase in income tax expense.

## Net earnings (loss)

For the first six months of 2019, Boralex reported net earnings of \$16 million compared with a net loss of \$10 million for the same period a year earlier. Net earnings attributable to shareholders of Boralex amounted to \$16 million or \$0.18 per share (basic and diluted), compared with a net loss attributable to shareholders of Boralex of \$8 million or \$0.10 per share (basic and diluted) year over year.

The favourable difference of \$24 million or \$0.28 per share (basic and diluted) in net earnings attributable to shareholders of Boralex compared with fiscal 2018 resulted from the items discussed above.

# Review of operating segments for the three-month period ended June 30, 2019

## Wind

Production volume up 37% for the second quarter of 2019 from the same quarter of 2018.

### Main differences in wind power segment revenues from energy sales and feed-in premium and EBITDA(A)

(in millions of Canadian dollars) (unaudited)	Revenues from energy sales and FiP	EBITDA(A) <sup>(1)</sup>
<b>THREE-MONTH PERIOD ENDED JUNE 30, 2018</b>	73	58
Acquisitions/commissioning <sup>(2)</sup>	15	12
Pricing	1	1
Volume	11	11
Foreign exchange effect	(1)	(1)
Maintenance	—	1
Development	—	1
Leases - IFRS 16	—	2
Other	—	(1)
Change	26	26
<b>THREE-MONTH PERIOD ENDED JUNE 30, 2019</b>	99	84

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

<sup>(2)</sup> For greater detail, see the *Commissioning overview table* in section I - *Growth strategy* of this MD&A.

### Data adjusted to include compensated NRWF production

Wind power production (GWh)	Three-month periods ended June 30				
	Actual		Change		
	2019	2018	Anticipated production <sup>(1)</sup>	vs 2018	vs anticipated production <sup>(1)</sup>
Canada	316	270	294	17%	8%
France	393	248	443	59%	-11%
	709	518	737	37%	-4%

<sup>(1)</sup> See the *Notice concerning forward-looking statements and Abbreviations and definitions* section.

## Production

Considering NRWF production for which power limitations were imposed by the IESO and for which the Corporation received compensation included in revenues, wind power production reached 709 GWh in the second quarter of 2019, 37% more than the 518 GWh in the same quarter of the previous year. On one hand, this increase was driven by contributions from assets commissioned in France in 2018 (122 MW), assets acquired from Kallista (163 MW), the Basse Thiérache Nord (20 MW) and Moose Lake (15 MW) wind farms commissioned in the first quarter of 2019, and the Catésis (10 MW) wind farm as of June 1, 2019. On the other hand, existing wind farms generally enjoyed better conditions than last year. Including the NRWF compensation, they recorded 13% growth in production volume compared with the second quarter of 2018. However, production volumes were 4% shy of the forecast for the quarter, mainly due to differences at the French wind farms as shown below.

Broken down geographically, changes in production were as follows:

- In France, more favourable weather conditions prevailed in the second quarter of 2019 compared with a year earlier. As a result, production volumes at existing wind farms were 13% higher than in the same period last year. Including the wind farms commissioned since June 30, 2018 and the acquisition of the Kallista wind farms completed on June 20, 2018, the wind power segment in France recorded a 59% increase in production volumes in the second quarter of 2019, compared with the same quarter a year ago, totalling 393 GWh. In spite of the increase, however, that amount was 11% short of the forecast of 443 GWh.
- Existing wind farms in Canada recorded overall growth in production volumes of 13% for the second quarter of 2019 compared with last year, owing mainly to more favourable weather conditions in Ontario than last year. With the commissioning of the Moose Lake wind farm early in the second quarter of 2019, Canadian wind power production rose 17% from the same quarter of 2018 to 316 GWh, beating the forecast by 8%.

The NRWF facility remains subject to power limitations imposed and compensated by the IESO. In the second quarter of 2019, the production effect amounted to 73 GWh, which gave rise to \$12 million in financial compensation, compared with 28 GWh and \$4 million for the same quarter of 2018, which was factored into the volume difference.

## Revenues from energy sales and feed-in premium

For the second quarter of 2019, wind power segment revenues totalled \$99 million, up \$26 million or 35% from the same period of 2018. This growth was driven by the \$15 million contribution from assets commissioned in France since June 30, 2018, as well as from wind farms acquired from Kallista. This favourable difference also benefited from an \$11 million volume effect, owing primarily to the improved performance at French and existing Ontario wind farms.

Broken down geographically, for second quarter 2019, 47% of wind power segment revenues were generated in Canada and 53% in France, compared with 54% and 46%, respectively, a year earlier. This change resulted mainly from contributions of assets acquired and commissioned in France in 2018 and 2019, as well as improved performance at existing French wind farms compared with last year. Excluding the foreign exchange effect, revenues at the French wind farms were up 59% while they grew 17% at the Canadian facilities.

## EBITDA(A)

For the second quarter of 2019, wind power segment EBITDA(A) rose \$26 million or 45% to \$84 million. This increase was driven by Boralex's expansion strategy, as the assets acquired and commissioned in 2018 and 2019 contributed an additional \$12 million to EBITDA(A). Favourable performance at existing wind farms also helped improve EBITDA(A), for an additional \$11 million. Other factors that, had a favourable impact to a lesser extent were the \$1 million pricing difference, \$2 million for the implementation of IFRS 16, Leases, a \$1 million decline in maintenance costs owing to the termination of a maintenance contract in France, and a \$1 million decrease in development costs.

Taken together, these items readily offset the \$1 million unfavourable foreign exchange effect resulting mainly from fluctuations in the value of the euro against the Canadian currency.

Broken down geographically, EBITDA(A) at French wind farms was up 80% in euros, reflecting contributions from assets acquired and commissioned and improved performance at existing wind farms, while EBITDA(A) at Canadian wind farms was up 24%.

## Hydroelectric

Hydroelectric power production grew 32% in the second quarter of 2019 compared with a year earlier.

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

(in millions of Canadian dollars) (unaudited)	Revenues from energy sales	EBITDA(A) <sup>(1)</sup>
<b>THREE-MONTH PERIOD ENDED JUNE 30, 2018</b>	14	10
Volume (excluding Buckingham)	4	4
Buckingham shutdown	(2)	(2)
Change	2	2
<b>THREE-MONTH PERIOD ENDED JUNE 30, 2019</b>	16	12

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

### Recent and anticipated statistical data concerning hydroelectric power segment production

Hydroelectric power production (GWh)	Three-month periods ended June 30				
	Actual		Change		
	2019	2018	Anticipated production <sup>(1)(2)</sup>	vs. 2018	vs. anticipated production <sup>(2)</sup>
Canada	103	92	101	<b>+ 13%</b>	<b>+ 2%</b>
United States	152	102	114	<b>+ 48%</b>	<b>+ 33%</b>
	255	194	215	<b>+ 32%</b>	<b>+ 18%</b>

<sup>(1)</sup> The anticipated production includes 24 GWh of the Yellow Falls power station in Canada.

<sup>(2)</sup> See the Notice concerning forward-looking statements and Abbreviations and definitions section.

## Production

For the first quarter of 2019, hydroelectric power production rose 32% to 255 GWh from 194 GWh for the same quarter of last year. This growth was driven in part by favourable water flow conditions throughout the quarter, particularly at the U.S. power stations, which largely offset the production volume shortfall resulting from the Buckingham power station shutdown throughout capacity upgrade work. The preliminary commissioning of the Yellow Falls power station was also a highlight, resulting in the production of 30 GWh in the past quarter, which was sold in the market pending the coming into force of the energy sales contract with the IESO.

Hydroelectric power segment production for the second quarter of 2019 was 40 GWh or 18% higher than the 215 GWh forecast.

The Buckingham power station was shut down in September 2018 to carry out expansion work, resulting in shortfalls of approximately 22 GWh or \$2 million in revenues and EBITDA(A). The power station is expected to restart in the second half of 2019.

## Revenues from energy sales

For the second quarter of 2019, the hydroelectric power segment generated revenues of \$16 million, up \$2 million or 15% from the same quarter of 2018. This growth was driven by favourable differences of \$4 million, reflecting higher production volumes. Revenues at the U.S. power stations were up 49%, while revenues fell 17% at the Canadian power stations.

## EBITDA(A)

In light of the above, hydroelectric power segment EBITDA(A) rose 25% to \$12 million for the second quarter of 2019, compared with \$10 million for the same quarter of 2018. This growth was attributable to the same favourable factors that impacted revenues. EBITDA(A) at the U.S. power stations was up 77% while the Canadian power stations saw a 21% decline in EBITDA(A).

## Thermal and solar

Management remains satisfied with the performance of its thermal and solar power segments. Solar power segment results are relatively stable compared with a year earlier, while results in the thermal power segment fell shy of performance for the second quarter of 2018. Last year's summer production run at the Senneterre power station started two months early to offset the effect of a mechanical breakdown in the first quarter, which boosted results for the second quarter.

# Review of operating segments for the six-month period ended June 30, 2019

## Wind

Energy production up 27% for the first six months of 2019 compared with the same period a year earlier.

### Main differences in wind power segment revenues from energy sales and feed-in premium and EBITDA(A)

(in millions of Canadian dollars) (unaudited)	Revenues from energy sales and FiP	EBITDA(A) <sup>(1)</sup>
<b>SIX-MONTH PERIOD ENDED JUNE 30, 2018</b>	198	160
Acquisitions/commissioning <sup>(2)</sup>	42	32
Share of the Interests - five wind farms in Québec	—	5
Pricing	2	2
Leases - IFRS 16	—	4
Volume	7	7
Foreign exchange effect	(3)	(2)
Maintenance	—	1
Development	—	1
Other share of the Interests	—	5
Other	(1)	(1)
Change	47	54
<b>SIX-MONTH PERIOD ENDED JUNE 30, 2019</b>	245	214

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

<sup>(2)</sup> See the Notice concerning forward-looking statements and Abbreviations and definitions section.

### Data adjusted to include compensated NRWF production

IFRS	Six-month periods ended June 30				
	Actual		Change		
Wind power production (GWh)	2019	2018	Anticipated production <sup>(1)</sup>	vs. 2018	vs. anticipated production <sup>(1)</sup>
Canada	722	679	705	+ 6%	+ 3%
France	1,035	705	1,050	+ 47%	- 1%
	1,757	1,384	1,755	+ 27%	—%

<sup>(1)</sup> See the Notice concerning forward-looking statements and Abbreviations and definitions section.

## Production

Considering NRWF production for which power limitations were imposed by the IESO and for which the Corporation received compensation included in revenues, wind production reached 1,757 GWh for the first six months of 2019, up 27% from 1,384 GWh for the corresponding period of 2018. This growth was driven primarily by contributions from assets commissioned in France since June 30, 2018, wind farms acquired from Kallista, and the Basse Thiérache Nord, Moose Lake and Catésis wind farms as of their respective commissioning dates in 2019. At existing wind farms including NRWF compensation, production was up 3% for the first six months of 2019 compared with the same period of 2018. Favourable results in France and Canada in the second quarter of 2019 offset the 5% decline during the first quarter in France for existing wind farms.

Overall, production for the first six months was stable compared with the forecast for the period, in accordance with factors that vary from region to region, as explained below.

Broken down geographically, changes in production were as follows:

- In France, more favourable wind conditions prevailed in the second quarter of 2019, offsetting for the less favourable conditions in the first quarter compared with last year. As a result, production volumes at existing wind farms for the first six months of the year were comparable with a year earlier. Taking into account contributions from assets acquired and commissioned, the French wind power segment recognized production volume growth of 47% for the first six months of 2019 compared with the same period a year earlier, totalling 1,035 GWh, slightly short of the forecast for the period.
- In Canada, including the NRWF production for which the Corporation received compensation, existing wind farms saw a 5% increase in production volumes, due to improved overall wind conditions year to date compared with last year. Taking into account contribution of the Moose Lake wind farm, commissioned early in the second quarter of 2019, wind production in Canada grew 6% in the first six months of the year compared with last year to 722 GWh, which is 3% higher than forecast.

In the first six months of 2019, the NRWF facility was subject to power limitations for which the Corporation received financial compensation for the equivalent of 83 GWh, compared with 70 GWh for the first six months of 2018.

## Revenues from energy sales and feed-in premium

For the first six months of 2019, wind power segment revenues totalled \$245 million, up \$47 million or 24% from the same period of 2018. This growth is due to the contribution of \$42 million from wind farms commissioned in France since June 30, 2018, the assets acquired from Kallista, and the Basse Thiérache Nord, Moose Lake and Catésis wind farms since their respective commissioning dates in 2019. Other factors that had a favourable impact on wind power segment products included the \$7 million volume effect, given the increase in production at existing wind farms and the amount received as compensation for the power limitations imposed on the NRWF facility. In addition, there was a \$2 million favourable pricing difference. These items readily offset the \$3 million unfavourable foreign exchange effect resulting from fluctuations in the value of the euro against the Canadian dollar.

Broken down geographically, for the second quarter 2019, 43% of wind power segment revenues were generated in Canada and 57% in France, compared with 51% and 49%, respectively, a year earlier. This change was mainly attributable to contributions from assets acquired and commissioned in France over the past year. Excluding the foreign exchange effect, revenues at the French wind farms were up 45% while they grew 6% at the Canadian facilities.

## EBITDA(A)

For the first six months of 2019, EBITDA(A) in the wind power segment rose \$54 million or 33% to \$214 million compared with the same period last year. This increase was partly driven by Boralex's expansion strategy, as the assets acquired and commissioned generated an additional \$32 million in EBITDA(A), while the share of the Interests acquired on September 14, 2018 amounted to \$5 million. This was in addition to a \$7 million favourable volume effect compared with last year and the financial compensation provided to the NRWF facility (as discussed earlier). Other items that contributed to the increase in EBITDA(A) were a \$5 million increase in the share of existing Interests, a \$4 million favourable impact of the implementation of IFRS 16, Leases, and a \$2 million favourable pricing effect. A further contribution stemmed from declines of \$1 million in maintenance costs resulting mainly from the termination of a maintenance contract for a wind farm in France and \$1 million in development costs.

These items were partially offset by a \$2 million unfavourable foreign exchange effect, resulting mainly from fluctuations in the value of the euro against the Canadian dollar, as well as a \$1 million increase in miscellaneous expenses including payroll.

Broken down geographically, EBITDA(A) from facilities in France was up 52% in euros, taking into account contributions from assets acquired and commissioned, while EBITDA(A) at Canadian facilities rose 22%, owing in particular to the commissioning of the Moose Lake wind farm and contributions from the acquired interests in five Québec wind farms and an increase in the share of existing Interests.

## Hydroelectric

Hydro power production up 15% for the first six months of 2019 compared with the same period of 2018.

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

(in millions of Canadian dollars) (unaudited)	Revenues from energy sales	EBITDA(A) <sup>(1)</sup>
<b>SIX-MONTH PERIOD ENDED JUNE 30, 2018</b>	28	20
Pricing	(1)	(1)
Volume (excluding Buckingham)	5	5
Foreign exchange effect	1	1
Buckingham shutdown	(5)	(5)
Change	—	—
<b>SIX-MONTH PERIOD ENDED JUNE 30, 2019</b>	28	20

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

### Recent and historical statistical data concerning hydroelectric power segment production

	Six-month periods ended June 30				
	Actual		Change		
Hydroelectric power production (GWh)	2019	2018	Anticipated average <sup>(1)(2)</sup>	vs. 2018	vs. anticipated production <sup>(2)</sup>
Canada	128	138	142	- 8%	- 10%
United States	286	221	223	+ 30%	+ 28%
	414	359	365	+ 15%	+ 13%

<sup>(1)</sup> The anticipated production includes 38 GWh of the Yellow Falls power station in Canada.

<sup>(2)</sup> See the *Notice concerning forward-looking statements and Abbreviations and definitions* section.

## Production

For the first six months of 2019, hydroelectric power segment production rose 15% to 414 GWh from 359 GWh year over year. This increase resulted from the prevalence of more favourable water flow conditions year to date at U.S. power stations. This offset the 8% decline at the Canadian power stations, including the shutdown of Buckingham power station in September 2018. In addition, the preliminary commissioning of the Yellow Falls power station resulted in the production of 30 GWh.

Accordingly, hydroelectric power segment production for the first six months of 2019 was 13% higher than the forecast for the period.

## Revenues from energy sales

For the first six months of 2019, the hydroelectric power segment generated revenues of \$28 million, the same amount as for the corresponding period of 2018. A \$5 million favourable difference resulting from higher production volumes and a \$1 million foreign exchange effect resulting from fluctuations in value of the U.S. dollar against the Canadian currency were offset by unfavourable pricing differences and the Buckingham power station shutdown. As a result, revenues at the U.S. power stations were up 31%, while revenues rose 6% at the Canadian power stations, excluding the \$5 million revenue shortfall resulting from the production shutdown at the Buckingham power station.

## EBITDA(A)

In light of the above, EBITDA(A) for the hydroelectric power segment remained stable at \$20 million for the first six months of 2019, the same amount as a year ago. EBITDA(A) at the U.S. power stations grew 48% compared with a 10% increase at the Canadian power stations, excluding the \$5 million unfavourable effect resulting from the production shutdown at the Buckingham power station.

## Thermal and solar

Management remains satisfied with the performance of its thermal and solar segments. The results of these two segments were relatively stable compared with last year.

## Cash flows

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

(in millions of Canadian dollars) (unaudited)	Three-month periods ended June 30		Six-month periods ended June 30	
	2019	2018	2019	2018
Cash flows from operations <sup>(1)</sup>	55	21	156	98
Change in non-cash items related to operating activities	58	31	22	64
Net cash flows related to operating activities	113	52	178	162
Net cash flows related to investing activities	(77)	(162)	(102)	(247)
Net cash flows related to financing activities	9	129	(22)	126
Translation adjustment on cash and cash equivalents	(2)	(2)	(6)	3
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>43</b>	<b>17</b>	<b>48</b>	<b>44</b>
<b>CASH AND CASH EQUIVALENTS – END OF PERIOD</b>	<b>205</b>	<b>159</b>	<b>205</b>	<b>159</b>

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

## Analysis of cash flows for the three-month period ended June 30, 2019

### Operating activities

For the three-month period ended June 30, 2019, Boralex's cash flows from operations more than doubled to \$55 million from \$21 million for the same period last year. Excluding non-cash items from net loss for each of the two periods, this increase resulted primarily from a \$26 million increase in EBITDA(A), as discussed above, combined with a \$7 million increase in distributions received from the *Interests of the Joint Ventures and associates*, and decreases of \$7 million in acquisition costs and \$1 million in income taxes paid, partially offset by an \$8 million increase in interest paid.

The change in non-cash items related to operating activities reflected cash inflows of \$58 million in the second quarter of 2019, compared with \$31 million for the same period of 2018. Cash inflows for the second quarter of 2019 resulted mainly from a \$57 million decrease in *Trade and other receivables* owing primarily to the fact that France's main client issued its payments in early April 2019 instead of late March 2019 due to administrative delays and the receipt of accounts receivable related to seasonal factors.

Operating activities generated net cash inflows totalling \$113 million in the second quarter of 2019, compared with \$52 million for the same period a year earlier.

### Investing activities

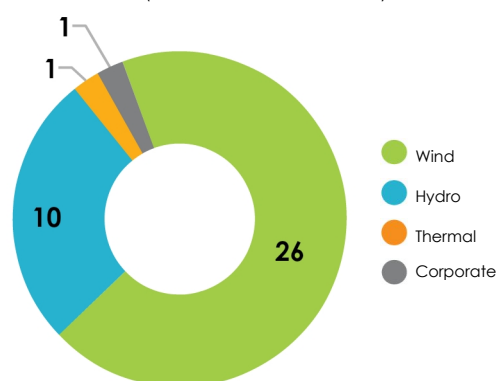
Investing activities used cash in the amount of \$77 million for the second quarter of 2019 compared with \$162 million for the same period a year ago.

During the second quarter of 2019, Boralex used \$38 million in cash for additions to property, plant and equipment, including:

- \$26 million in the wind power segment, substantially all of which was for the construction of various wind farms under development in Europe;
- \$10 million in the hydroelectric power segment for the capacity upgrade at the Buckingham power station in Québec, Canada, from 10 MW to 20 MW.

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

(in millions of Canadian dollars)



In the second quarter of 2019, restricted cash was up \$22 million. Most of this amount will be used for payments to be made for the Moose Lake wind farm and, to a lesser extent, for French wind farms under construction.

Furthermore, in the second quarter, the Corporation paid \$15 million in contingent consideration for the acquisition of energy contracts related to Ecotera projects. The amount paid was for the Seuil du Cambr sis wind farm.

Note that in the second quarter of 2018, the Corporation disbursed \$100 million for the Kallista share acquisition. In addition, the Corporation recognized \$4 million in conditional consideration for the Hauts de Comble project, a disbursement reported as a business acquisition as this project had been recognized as a business combination at the time of the acquisition of the Ecotera portfolio in 2015.

## Financing activities

Financing activities for the second quarter of 2019 generated total net cash inflows of \$9 million.

### New financing arrangements and repayments on existing debt

In the second quarter of 2019, new non-current debt contracted by Boralex totalled \$90 million, excluding \$4 million in financing costs, as follows:

- \$36 million drawn down from the revolving credit facility;
- \$36 million with regard to the Sainte-Christine portfolio which includes the Inter Deux Bos, C teaux du Blaiseron, Hauts de Comble, Sources de l'Ancre, Le Pelon, Basse Thi rache Nord and Cat sis wind farms as well as the Seuil du Cambr sis and Cham Longe I wind power projects;
- \$18 million for the Moose Lake wind farm.

Conversely, the Corporation paid a total of \$38 million to repay its debt related to the various assets in operation, and repaid \$18 million in value added tax bridge financing.

With the application of IFRS 16, Leases, the Corporation now presents repayments of lease liabilities under financing activities. This amount totalled \$2 million for the second quarter of 2019.

Note that in the second quarter of 2018, the Corporation disbursed \$86 million to repay loans assumed at the time of the Kallista acquisition.

## Dividends and other items

On May 8, 2019, the Board of Directors declared a quarterly dividend of \$0.1650 per common share. During the second quarter of 2019, the Corporation paid dividends to shareholders totalling \$14 million (\$0.1650 per share) compared with \$12 million (\$0.1575 per share) for the second quarter of 2018.

The Corporation also paid \$5 million to non-controlling shareholders, compared with \$4 million a year earlier.

Note that during the second quarter of 2018, the Corporation disbursed \$7 million for the early redemption of financial instruments, mainly following the financing of a project.

## Net change in cash and cash equivalents

Total cash movements for the second quarter of 2019 resulted in a \$43 million increase, with *Cash and cash equivalents* as at June 30, 2019 standing at \$205 million compared with \$162 million as at March 31, 2019.

## Analysis of cash flows for the six-month period ended June 30, 2019

### Operating activities

For the six-month period ended June 30, 2019, Boralex reported \$156 million in cash flows from operations, compared with \$98 million for the same period in 2018. Excluding non-cash items in net earnings (loss) for both periods, this increase resulted largely from the \$42 million growth in EBITDA(A) as discussed previously, plus a \$12 million increase in distributions received from the *Interests of the Joint Ventures and associates* and a \$7 million decrease in acquisition costs, all partly offset by a \$7 million increase in interest paid.

The change in non-cash operating items for the first half of the year reflected cash inflows of \$22 million, compared with \$64 million last year. Cash generated in the first six months of 2019 resulted primarily from a \$26 million decrease in *Trade and other receivables*, related to the collection of accounts receivable owing to seasonal factors. In addition, *Other current assets* decreased \$3 million owing to the amortization of prepaid maintenance costs as at December 31, 2018. These cash inflows were offset by a \$7 million decrease in *Trade and other payables* related to taxes payable on asset development and site construction in France.

Operating activities generated net cash flows totalling \$178 million in the first six months of 2019, compared with \$162 million for the same period a year earlier.

### Investing activities

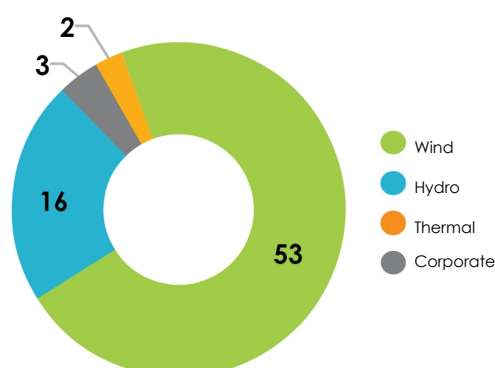
Investing activities used cash flows totalling \$102 million in the first six months of 2019, compared with \$247 million for the same period of 2018.

During the first six months of 2019, the Corporation invested \$74 million in additions to property, plant and equipment, as follows:

- \$53 million in the wind power segment, substantially all of which to build various wind farms in Europe (\$50 million) and in Canada (\$3 million).
- \$16 million in the hydroelectric power segment, including \$1 million to complete construction at the Yellow Falls power station in Ontario, Canada and \$15 million for the upgrade at the Buckingham power station in Québec, Canada.

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

(in millions of Canadian dollars)



As for reserve funds for the first six months of the year, they increased by \$10 million for the Sainte-Christine portfolio.

The Corporation also paid \$15 million in contingent consideration for the acquisition of energy contracts related to Ecotera projects. The amount paid was for the Seuil du Cambrésis project.

Investing activities for the first six months of 2018 included the \$100 million paid out to acquire the Kallista shares. Contingent consideration of \$8 million was also paid for the Hauts de Comble and Sources de l'Ancre projects which were part of the Ecotera portfolio acquired in 2015. Furthermore, during the first quarter of 2018, the Corporation also paid \$10 million in contingent consideration for the acquisition of energy sales contracts related to Ecotera projects. The amounts paid were related to the Inter Deux Bos and Basse Thiérache Nord wind farms.

## Financing activities

For the first six months of 2019, financing activities used total net cash flows of \$22 million.

### New financing arrangements and repayments on existing debt

For the first six months of 2019, new non-current debt contracted by Boralex totalled \$153 million, excluding \$4 million in financing costs, as follows:

- \$70 million drawn down from the revolving credit facility;
- \$64 million with regard to the Sainte-Christine portfolio which includes Inter Deux Bos, Côteaux du Blaiseron, Hauts de Comble, Sources de l'Ancre, Le Pelon, Basse Thiérache Nord and Catésis wind farms as well as the Seuil du Cambrésis and Cham Longe I wind power projects;
- \$19 million for the Moose Lake wind power project in Canada.

Conversely, during the first six months of year, the Corporation made debt repayments totalling \$95 million relating to various assets in operation and \$25 million in value added tax bridge financing, in addition to special repayments totalling \$55 million, \$43 million of which to repay the Lanouée forest bridge financing and \$6 million to repay in part the Scotland bridge financing. This payment was made out of the \$43 million (€29 million) in proceeds from the 2018 sale of Lanouée forest. In 2018, the Corporation had repaid \$86 million in debt assumed with the Kallista acquisition.

Repayments on lease obligations resulting from the application of IFRS 16, *Leases*, totalled \$5 million for the first six months of the year.

### Dividends and other items

For the first six months of 2019, the Corporation paid dividends to shareholders totalling \$29 million (or the equivalent of \$0.1650 per share in each of the two quarters), compared with \$23 million for the first half of 2018 (or the equivalent of \$0.15 per share for the first quarter and \$0.1575 per share in the second quarter).

The Corporation also paid out \$5 million to non-controlling shareholders, compared with \$4 million a year earlier.

During the first six months of 2018, the Corporation disbursed \$17 million for the early redemption of financial instruments.

### Net change in cash and cash equivalents

Total cash movements since the beginning of fiscal 2019 resulted in a \$48 million increase in *Cash and cash equivalents* to \$205 million as at June 30, 2019 compared with \$157 million as at December 31, 2018.

# Financial position

## Overview of the condensed consolidated statements of financial position

(in millions of Canadian dollars) (unaudited)		As at June 30, <b>2019</b>	As at December 31, <b>2018</b>
<b>ASSETS</b>			
Cash and cash equivalents		205	157
Restricted cash		51	96
Other current assets		141	169
CURRENT ASSETS		397	422
Property, plant and equipment		2,773	2,918
Right-of-use assets		258	—
Intangible assets		773	807
Goodwill		193	198
Interests in the Joint Ventures and associates		253	270
Other non-current assets		136	152
NON-CURRENT ASSETS		4,386	4,345
TOTAL ASSETS		4,783	4,767
<b>LIABILITIES</b>			
CURRENT LIABILITIES		393	564
Non-current debt		2,929	2,857
Lease liabilities		199	—
Convertible debentures		141	140
Other non-current liabilities		300	290
NON-CURRENT LIABILITIES		3,569	3,287
TOTAL LIABILITIES		3,962	3,851
<b>EQUITY</b>			
TOTAL EQUITY		821	916
TOTAL LIABILITIES AND EQUITY		4,783	4,767

## 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 June 30, 2019 reflect investments and financing related to the continued development of the Corporation's wind and hydroelectric power projects.

### Assets

As at June 30, 2019, Boralex's total assets amounted to \$4,783 million, up \$16 million from total assets of \$4,767 million as at December 31, 2018. This increase was due to the \$41 million increase in *Non-current assets*, partly offset by the \$25 million decrease in *Current assets*.

The decrease in *Current assets* is primarily attributable to the changes in *Restricted cash*, which declined \$45 million and a \$29 million decrease in *Trade and other receivables*. These items were partly offset by the \$48 million increase in *Cash and cash equivalents*. Note that *Restricted cash* as at December 31, 2018 included proceeds from the sale of the Lanouée forest land, which was used to repay the related bridge financing at the beginning of January 2019.

*Non-current assets* were up \$41 million in total, owing primarily to:

- A \$145 million decrease in the value of *Property, plant and equipment* (net of amortization for the period) which breaks down as follows:
  - A \$65 million increase related to the projects under construction (see the *Cash flows* section);
  - A \$64 million decrease related to exchange rate fluctuations and a \$93 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*;
- A \$34 million decrease in the value of *Intangible assets* which breaks down as follows:
  - A \$15 million increase related to the acquisition of the energy sales contract for the Seuil du Cambrésis project (see the *Cash flows* section);
  - A \$49 million decrease related to exchange rate fluctuations and amortization of wind farms in operation;

- The addition of the *Right-of-use assets* line item in the amount of \$258 million owing to the application of IFRS 16, *Leases* (see the *Accounting standards* section for more details).
- A \$5 million decrease in *Goodwill* related to exchange rate fluctuations;
- A \$16 million decline in *Non-current assets*, including, \$18 million in *Other non-current financial assets*, partly offset by an \$8 million increase in reserve funds (see the *Cash flows* section).

## Current liabilities

Current liabilities as at June 30, 2019 amounted to \$393 million, compared with \$564 million as at December 31, 2018. The \$171 million decline was largely attributable to a \$162 million decrease in the *Current portion of debt*, owing in particular to the repayment of \$49 million on the France and Scotland bridge financing facility, of which \$43 million (€29 million) came from the Lanouée forest sale and \$6 million from the disposal of assets in Scotland. In addition, the classification of the \$64 million debt of Fortel and St-François wind farms as current was discontinued following approval from the creditors. As at June 30, 2019, the debts related to Les Cigarettes solar power station and the Calmont wind farm continue to be reported as current following non-compliance with the debt service coverage ratio as at December 31, 2018. Following the receipt of a notice of waiver for Les Cigarettes loan during the month of July 2019, the debt was reclassified as long-term in the statement of financial position as at July 31, 2019. A request of waiver was made to the creditors regarding the Calmont wind farm and the Corporation is awaiting their approval in this respect. Another debt related to Kallista totalling \$7 million was also reported as current since it did not comply with the debt service coverage ratio as at June 30, 2019. A request for waiver has been made to creditors. The recent failures to comply with financial ratios are due primarily to less favourable than expected wind conditions experienced by these wind farms recently. In the event of continuing non-compliance for one of these wind farms, the Corporation would consider making a partial early repayment on the loan to ensure additional flexibility for meeting its financial commitments.

Last, the Corporation also refinanced the debt totalling \$60 million (€40 million) owed to Cube Hydro-Power SARL with the Caisse, 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.

## Working capital

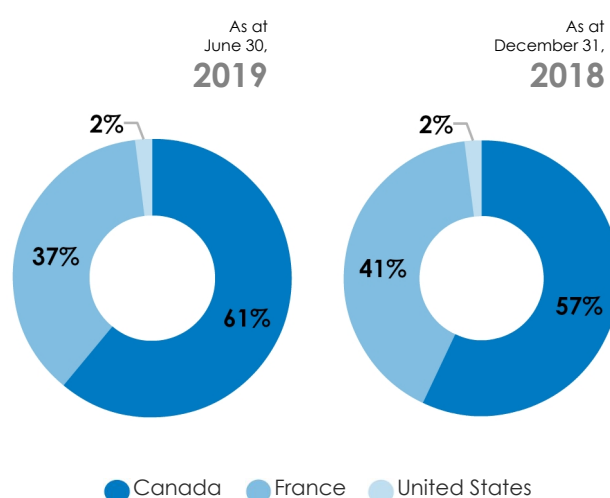
As at June 30, 2019, working capital stood at \$4 million with a ratio of 1.01:1 compared with a deficit of \$142 million and a ratio of 0.75:1 as at December 31, 2018. The improvement in working capital was related to the receipt of a notice of waiver from creditors for the \$64 million Fortel and St-François debt, the refinancing of the \$60 million debt with the Caisse and the improvements in fair value of financial instruments reported as current and the decline in *Trade and other payables*. Excluding the reclassification as current of debts not in compliance with the ratios as at the statement of financial position date, the Corporation's working capital would amount to \$44 million as at June 30, 2019.

## Non-current liabilities

Total *Non-current liabilities* were up \$282 million, owing in particular to the addition of the *Lease liabilities* line item in the amount of \$199 million resulting from the coming into force of IFRS 16 - *Leases* (for greater detail, see the *Accounting standards* section) and the \$72 million increase in *Non-current debt*.

As at June 30, 2019, Boralex had \$82 million in debt contracted for its construction projects that remains undrawn. Boralex can still draw on the \$100 million revolving credit accordion feature, and a total amount of \$105 million available under the letter of credit and revolving credit facilities subject to compliance with financial ratios.

### Geographic breakdown of non-current debt



## Equity

During the first six months of 2019, total *Equity* decreased by \$95 million to \$821 million as at June 30, 2019. This decline resulted primarily from the inclusion of net earnings of \$16 million, offset by the \$64 million change in *Other comprehensive loss* related to the translation of financial statements and lower interest rates, dividends paid to shareholders of Boralex in the amount of \$29 million and to non-controlling shareholders in the amount of \$5 million, and \$13 million resulting from the coming into force of IFRS 16, *Leases*.

## Debt ratios

Net debt, as defined under the *Non-IFRS measures* section, amounted to \$2,959 million as at June 30, 2019 compared with \$3,048 million as at December 31, 2018.

As a result, the net debt ratio, based on market capitalization, as defined under the *Non-IFRS measures* section, decreased to 61% as at June 30, 2019 from 65% as at December 31, 2018.

## Information about the Corporation's equity

As at June 30, 2019, Boralex's capital stock consisted of 89,251,457 Class A shares issued and outstanding (89,184,175 as at 31 December 2018). There were 585,869 outstanding stock options, of which 395,308 were exercisable. Boralex had 1,437,070 issued and outstanding convertible debentures for an amount of \$144 million (1,437,070 as at December 31, 2018 for an amount of \$144 million).

From July 1 to August 7, 2019, no new shares were issued on exercise of stock options, and 511 new shares were issued in connection with the conversion of debentures.

## Transactions with related parties

The Corporation has entered into a management agreement with R.S.P. Énergie Inc., an entity in which Patrick Lemaire, President, Chief Executive Officer and a director of the Corporation, is one of three shareholders. For the six-month period ended June 30, 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. For the six-month period ended June 30, 2019, the amount of the lease expense was not material.

On March 29, 2018, the Corporation entered into \$170 million in financing with the Caisse in the form of unsecured subordinated debt with a 10-year maturity. On July 24, 2018, Boralex drew down its \$80 million second tranche. For the six-month period ended June 30, 2019, the interest related to these transactions amounted to \$7 million.

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 six-month period ended June 30, 2019, the interest related to this advance amounted to \$1 million.

On June 20, 2018, the Corporation acquired the shares of Kallista, which owned a portfolio of 15 wind farms in operation. The 15 MW Val aux Moines wind farm is 35% owned by the shareholder Nordex Employee Holding GmbH. The non-controlling shareholder advanced \$6 million (€4 million) to the project to finance the construction of the facility. For the six-month period ended June 30, 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 transaction between related parties since the Caisse holds an interest in Invenergy and has significant influence over Boralex.

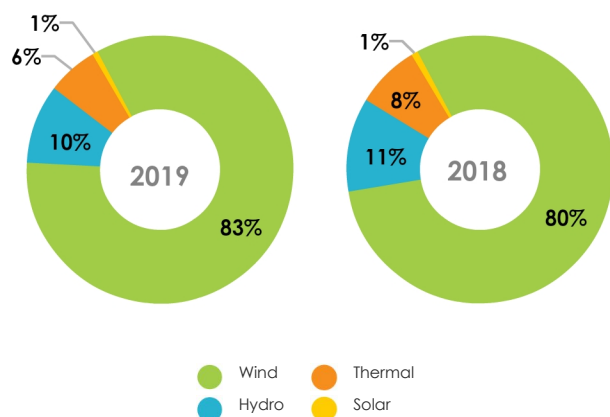
On April 25, 2019, Boralex Europe Sàrl closed the refinancing of a debt totalling \$60 million (€40 million) owed to Cube Hydro-Power SARL (previously Cube Energy SCA) with the Caisse, shareholder of the Corporation. The credit agreement stipulates a maturity date in five years with repayment of the 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 period of 12 months. Subsequently, the rate will be fixed. For the six-month period ended June 30, 2019, interest related to this loan owing to a non-controlling shareholder was not material.

# Segment and geographic breakdown of results for the six-month periods ended June 30, 2019 and 2018

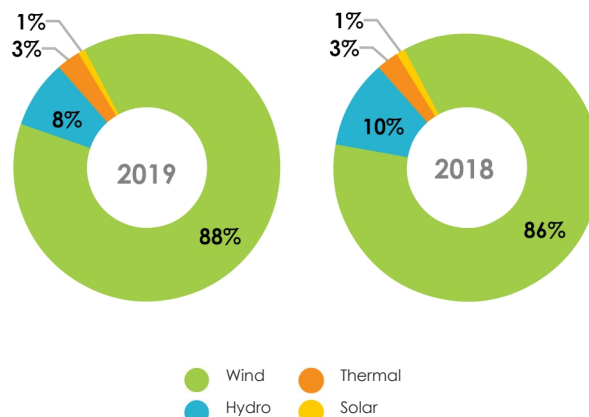
## Segment breakdown

The following is a discussion of changes in segment breakdown of revenues and EBITDA(A) for the six-month period ended June 30, 2019 compared with the same period in 2018.

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



**Breakdown of EBITDA(A)<sup>(1)</sup>**



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

## Wind

For the first six months of 2019, wind power segment revenues rose 24% from the same period of 2018 and represented 83% of consolidated revenues, compared with 80% for the same period last year. This growth was driven essentially by the commissioning of six wind farms in France in 2018 for an additional 122 MW, the acquisition of the Kallista (163 MW) wind farms on June 20, 2018 as well as the gradual commissioning of wind farms starting February 1, 2019 for Basse Thiérache Nord (20 MW), April 4, 2019 for Moose Lake (15 MW), and June 1, 2019 for Catésis (10 MW).

Wind power segment EBITDA(A) for the first six months of 2019 rose 33% compared with the corresponding period of 2018, representing 88% of consolidated EBITDA(A) (before the corporate segment and eliminations), exceeding the result of 86% for the first six months of 2018.

Given the anticipated commissioning of facilities by 2020 for 72 MW in additional capacity, as well as the large pipeline of potential projects Boralex has access to, this segment's contribution to the Corporation's operating profitability will increase over the coming quarters and years, helping to maintain a solid average profit margin.

## Hydroelectric

For the first six months of 2019, hydroelectric power segment revenues and EBITDA(A) were stable compared with the corresponding period of 2018. The U.S. power stations recorded sound results since the beginning of the year, offsetting the decline in production of Canadian power stations in the first quarter and the production shutdown at the Buckingham power station for the duration of work to upgrade installed capacity. Given the growth in the wind power segment, the hydroelectric power segment's contribution to the Corporation's consolidated revenues eased to 10% for the first six months of 2019 from 11% for the corresponding period of 2018, while its contribution to EBITDA(A) (before the corporate segment and eliminations) declined to 8% from 10%.

## Thermal

Thermal power segment revenues decreased 3% for the first six months of 2019 compared with last year, owing mainly to lower production volume at the Senneterre power station. This segment accounted for 6% of consolidated revenues for the first six months of 2019, compared with 8% in the previous year. The thermal power segment's contribution to consolidated EBITDA(A) (before the corporate segment and eliminations) held steady at around 3%.

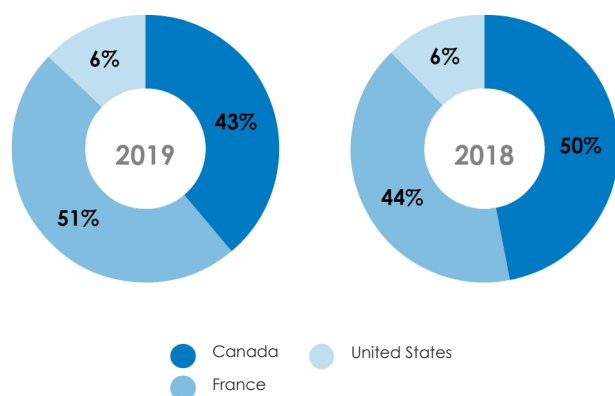
## Solar

For the first six months of 2019, the solar power segment generated EBITDA(A) of \$2 million, comparable to the corresponding period last year. The solar power segment for the time being accounts for only a marginal share of Boralex's asset portfolio.

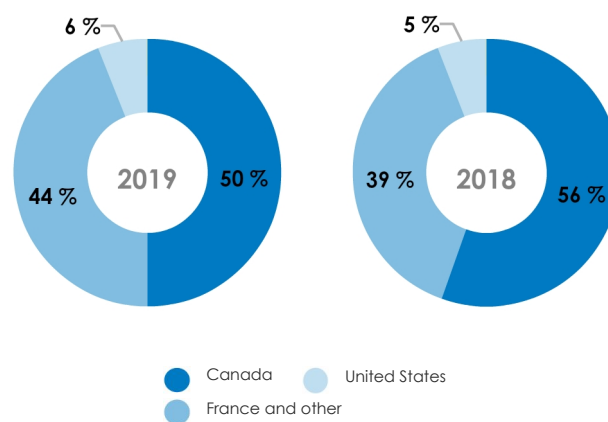
## Geographic breakdown

The following is a discussion of changes in geographic breakdown of revenues and EBITDA(A) for the six-month period ended June 30, 2019 compared with the same period in 2018.

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



**Breakdown of EBITDA(A)<sup>(1)</sup>**



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

For the six-month period ended June 30, 2019, the geographic breakdown of Boralex's revenues from energy sales and feed-in premium was as follows:

- 43% in **Canada** compared with 50% in 2018;
- 51% in **France** compared with 44% in 2018, following the commissioning of wind farms in France in 2018 and in 2019 and the acquisition of Kallista on June 20, 2018;
- 6% in the **United States** compared with 6% in 2018.

Note that the results of Interests in the Joint Ventures and associates are not included in the information above. According to Boralex's percentage holdings, the geographic breakdown of EBITDA(A) would be 57% in Canada, 38% in France and 5% in the United States for the first six months of 2019.

## Seasonal factors

(in millions of Canadian dollars, unless otherwise specified) (unaudited)	Three-month periods ended				Twelve-month period ended
	September 30, 2018	December 31, 2018	March 31, 2019	June 30, 2019	June 30, 2019
<b>POWER PRODUCTION (GWh)</b>					
Wind power stations	415	852	1,038	636	2,941
NRWF compensation	42	41	10	73	166
	457	893	1,048	709	3,107
Hydroelectric power stations	118	170	159	255	702
Thermal power stations	8	40	72	38	158
Solar power stations	7	3	5	7	22
	590	1,106	1,284	1,009	3,989
<b>REVENUES FROM ENERGY SALES AND FEED-IN PREMIUM</b>					
Wind power stations	64	123	146	99	432
Hydroelectric power stations	10	11	12	16	49
Thermal power stations	3	9	13	5	30
Solar power stations	2	2	1	1	6
	79	145	172	121	517
<b>EBITDA(A)<sup>(1)</sup></b>					
Wind power stations	46	105	130	84	365
Hydroelectric power stations	5	8	8	12	33
Thermal power stations	—	2	6	1	9
Solar power stations	2	1	1	1	5
	53	116	145	98	412
Corporate and eliminations	(14)	(18)	(14)	(15)	(61)
	39	98	131	83	351
<b>NET EARNINGS (LOSS)</b>	(37)	9	31	(15)	(12)
<b>NET EARNINGS (LOSS) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX</b>	(31)	9	29	(13)	(6)
<b>NET EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX – BASIC</b>	(\$0.40)	\$0.09	\$0.32	(\$0.14)	(\$0.08)
<b>NET EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX – DILUTED</b>	(\$0.40)	\$0.09	\$0.31	(\$0.14)	(\$0.08)
<b>NET CASH FLOWS RELATED TO OPERATING ACTIVITIES</b>	17	23	65	113	218
<b>CASH FLOWS FROM OPERATIONS<sup>(1)</sup></b>	23	71	101	55	250
Weighted average number of shares outstanding – basic	78,552,595	89,155,304	89,184,932	89,200,490	86,501,411

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

## Seasonal factors

(in millions of Canadian dollars, unless otherwise specified) (unaudited)	Three-month periods ended				Twelve-month period ended
	September 30, 2017	December 31, 2017	March 31, 2018	June 30, 2018	June 30, 2018
<b>POWER PRODUCTION (GWh)</b>					
Wind power stations	385	676	824	490	2,375
NRWF compensation	2	87	42	28	159
	387	763	866	518	2,534
Hydroelectric power stations	166	159	166	194	685
Thermal power stations	47	31	61	57	196
Solar power stations	7	5	4	6	22
	607	958	1,097	775	3,437
<b>REVENUES FROM ENERGY SALES AND FEED-IN PREMIUM</b>					
Wind power stations	52	107	125	73	357
Hydroelectric power stations	15	14	14	14	57
Thermal power stations	5	7	12	7	31
Solar power stations	2	1	1	1	5
	74	129	152	95	450
<b>EBITDA(A)<sup>(1)</sup></b>					
Wind power stations	36	95	101	58	290
Hydroelectric power stations	11	10	10	10	41
Thermal power stations	1	2	4	1	8
Solar power stations	1	1	1	1	4
	49	108	116	70	343
Corporate and eliminations	(10)	(15)	(12)	(13)	(50)
	39	93	104	57	293
<b>NET EARNINGS (LOSS)</b>	(26)	28	23	(33)	(8)
<b>NET EARNINGS (LOSS) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX</b>	(17)	26	20	(28)	1
<b>NET EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX – BASIC</b>	(\$0.23)	\$0.34	\$0.26	(\$0.36)	\$0.01
<b>NET EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX – DILUTED</b>	(\$0.23)	\$0.32	\$0.26	(\$0.36)	\$0.01
<b>NET CASH FLOWS RELATED TO OPERATING ACTIVITIES</b>	36	17	110	52	215
<b>CASH FLOWS FROM OPERATIONS<sup>(1)</sup></b>	24	69	77	21	191
Weighted average number of shares outstanding – basic	75,991,810	76,174,741	76,256,796	76,318,743	76,287,941

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

The Corporation's operations and results are partly subject to seasonal cycles and other cyclical factors that vary by segment. Since nearly all of Boralex facilities have long-term indexed, fixed-price energy sales contracts, seasonal cycles mainly affect the total volume of power generated by the Corporation. In other words, while the Corporation's production in a given year is exposed to seasonal cycles and other cyclical factors, this is mitigated by diversifying its power generation sources and favourable geographic positioning.

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

## Wind

For the wind power assets in operation in which Boralex's share totalled 1,768 MW, wind conditions both in France and Canada are usually more favourable in the winter, which falls during Boralex's first and fourth quarters. However, in winter there is a greater risk of lower production caused by weather conditions, such as icing. More specifically, management estimates the breakdown of wind power segment production at approximately 60% for the first and fourth quarters and 40% for the second and third quarters.

With the wind farms on the *Growth path* slated for commissioning by the end of 2020, which will add 72 MW to the wind power segment's installed capacity, it is expected that a growing portion of the Corporation's total revenues will be generated in the first and fourth quarters of the coming years.

## Hydroelectric

The hydroelectric assets had an installed capacity of 172 MW as at June 30, 2019 and will increase to 182 MW with the added capacity at the Buckingham power station at the end of 2019. The energy 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, corresponding to Boralex's second and fourth quarters. Historically, water flow tends to decrease in winter and summer. However, over a long-term horizon, there may be variations from year to year due to short-term weather conditions. In general, management estimates the breakdown of annual hydroelectric power generated at approximately 60% for the second and fourth quarters and 40% for the first and third quarters. Note that apart from four hydroelectric power stations whose water flow is regulated upstream and is not under the Corporation's control, Boralex's other hydroelectric facilities do not have reservoirs that would permit water flow regulation during the year.

## Thermal

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

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

## Solar

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

# Financial instruments

## 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 USD. 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. Until the final steps of the COD process with the IESO are completed, the power produced by the Yellow Falls power station in Ontario will be sold on the market.

As at June 30, 2019, power stations in France (except Avignonet I and Chépy) and Canada (except Oldman in Alberta), as well as those in Hudson Falls and South Glens Falls in the United States, have long-term energy sales contracts, the vast majority of which are subject to partial or full indexation clauses tied to inflation. Consequently, only 3% of Boralex's installed capacity is exposed to price risk at present.

## Interest rate risk

Under IFRS, as at June 30, 2019, approximately 54% of non-current debt issued bears interest at variable rates, excluding the revolving credit facility and the bridge financing facility. 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 7% of total debt under IFRS.

The following table summarizes the Corporation's derivative financial instruments as at June 30, 2019:

As at June 30,

**2019**

(in millions of Canadian dollars) (unaudited)	Currency	Current notional		Fair value	
		(currency of origin)	(CAD)	(currency of origin)	(CAD)
Interest rate swaps	EUR	346	515	(31)	(47)
Interest rate swaps	CAD	763	763	(5)	(5)
Foreign exchange forward contracts	EUR vs. CAD	65	101	(2)	(2)
Cross-currency swaps	EUR vs. CAD	318	479	6	6
Cross-currency swaps	USD vs. CAD	258	340	(3)	(3)
					(51)

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

# Earnings of the Joint Ventures and associates for the three-month period ended June 30, 2019

The analysis of results is shown below as a percentage of interests held by Boralex in the Joint Ventures and associates.

## SDB I and II

Production down 5% in the second quarter of 2019 compared with the same quarter of 2018.

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

(in millions of Canadian dollars) (unaudited)	Revenues from energy sales	EBITDA(A) <sup>(1)</sup>
<b>THREE-MONTH PERIOD ENDED JUNE 30, 2018</b>	15	12
Volume	(1)	(1)
Other	—	1
Change	(1)	—
<b>THREE-MONTH PERIOD ENDED JUNE 30, 2019</b>	14	12

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

### Recent and anticipated statistical data concerning production

Wind power production (GWh)	For the three-month periods ended June 30				
	Actual		Change		
	2019	2018	Anticipated production <sup>(1)</sup>	vs 2018	vs anticipated production <sup>(1)</sup>
SDB I	101	106	93	- 5%	+ 8%
SDB II	26	28	23	- 5%	+ 15%
	127	134	116	- 5%	+ 10%

<sup>(1)</sup> See the *Notice concerning forward-looking statements and Abbreviations and definitions* section.

## Production

Boralex's share of production of SDB I and II wind farms for the second quarter of 2019 amounted to 127 GWh, down 7 GWh or 5% from the corresponding quarter of 2018. This decline reflected the less favourable wind conditions compared with last year. However, results exceeded expectations as production volume was 10% above anticipated value.

## Revenues from energy sales

The lower production volume resulted in a \$1 million decrease in revenues from energy sales attributed to Boralex. For the second quarter of 2019, the share of revenues from energy sales of SDB I and II amounted to \$14 million compared with \$15 million one year earlier.

## EBITDA(A)

EBITDA(A) of the Interests in SDB I and II amounted to \$12 million for the second quarter of 2019 which was the same as for the corresponding quarter of 2018.

## Cash flows

For the three-month periods ended June 30, 2019 and 2018, Boralex's Interests in SDB I and II generated cash flows from operations of \$8 million.

Net cash flows related to operating activities amounted to \$11 million for the first three months of 2019, compared with \$10 million one year earlier.

## Financial position

As at June 30, 2019, Boralex's share in the assets of the SDB I and II wind farms was equivalent to \$368 million, up \$1 million compared with the amount recognized as at December 31, 2018. This increase was largely attributable to the addition of the *Right-of-use assets* line item resulting from the application of IFRS 16, *Leases* (for greater detail, see the *Accounting standards* section) and offset by the amortization of *Property, plant and equipment* for the period.

Boralex's share of the debt for these wind farms was equivalent to \$291 million as at June 30, 2019, down \$7 million compared with the amount as at December 31, 2018.

For more information, see section II - *Analysis of results and financial position - Non-IFRS measures*.

## DM I and DM II, LP I, LP II and Roncevaux

### Recent and anticipated statistical data concerning production

	Three-month period ended June 30		
	Actual	Change	
Wind power production (GWh)	2019	Anticipated production <sup>(1)</sup>	vs. anticipated production <sup>(1)</sup>
DM I and DM II	55	51	+ 8%
LP I	41	40	+ 2%
LP II	8	8	—%
Roncevaux	27	25	+ 9%
	131	124	+ 6%

<sup>(1)</sup> See the Notice concerning forward-looking statements and Abbreviations and definitions section.

### Revenues from energy sales and EBITDA(A)

(in millions of Canadian dollars) (unaudited)	Three-month period ended June 30
	2019
Revenues from energy sales	13
EBITDA(A) <sup>(1)</sup>	10

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

During the second quarter of 2019, the share of production of the five wind farms in which Boralex had acquired interests from Invenergy in September 2018, amounted to 131 GWh, given the Corporation's percentage holding in each of these wind farms. This result is 6% higher than the anticipated value.

Boralex's share of revenues from energy sales amounted to \$13 million for the second quarter of 2019. EBITDA(A) amounted to \$10 million.

### Cash flows

For the three-month period ended June 30, 2019, cash flows from operations amounted to \$5 million for these interests.

Cash flows related to operating activities amounted to \$9 million for the second quarter of 2019.

### Financial position

As at June 30, 2019, Boralex's share in the assets of DM I and II, LP I and II and Roncevaux amounted to \$507 million, up \$3 million compared with the amount recognized as at December 31, 2018. This increase was largely attributable to the addition of the *Right-of-use assets* line item resulting from the application of IFRS 16, *Leases* (for greater detail, see the *Accounting standards* section) and offset by the amortization of *Property, plant and equipment* for the period.

Boralex's share of the debt for these wind farms amounted to \$278 million as at June 30, 2019, down \$8 million compared with the amount as at December 31, 2018.

For more information, see section II - Analysis of results and financial position - Non-IFRS measures.

## Earnings of the Joint Ventures and associates for the six-month period ended June 30, 2019

The analysis of results is shown below as a percentage of interests held by Boralex in the Joint Ventures and associates.

### SDB I and II

Production up 12%.

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

(in millions of Canadian dollars) (unaudited)	Revenues from energy sales	EBITDA(A) <sup>(1)</sup>
<b>SIX-MONTH PERIOD ENDED JUNE 30, 2018</b>	31	26
Volume	4	4
Other	—	1
Change	4	5
<b>SIX-MONTH PERIOD ENDED JUNE 30, 2019</b>	35	31

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

#### Recent and anticipated statistical data concerning production

	Six-month periods ended June 30				
	Actual		Change		
Wind power production (GWh)	2019	2018	Anticipated production <sup>(1)</sup>	vs 2018	vs anticipated production <sup>(1)</sup>
SDB I	253	223	209	+ 13%	+ 22%
SDB II	65	60	52	+ 9%	+ 25%
	318	283	261	+ 12%	+ 22%

<sup>(1)</sup> See the *Notice concerning forward-looking statements and Abbreviations and definitions* section.

### Production

Boralex's share of production of SDB I and II wind farms for the first six months of 2019 amounted to 318 GWh, up 35 GWh or 12% from the corresponding period last year. This increase is mainly due to favourable wind conditions in the first quarter of 2019 compared to last year. Note that icy conditions had an adverse impact on production during a two-week period in the first quarter of 2018. The decline in production in the second quarter of 2019 compared with the previous year was offset by the sound performance in the first quarter. Overall, production volume of the SDB I and II wind farms for the first six months of 2019 exceeded expectations with Boralex's share amounting to 22% more than the anticipated amount.

### Revenues from energy sales

The higher production volume resulted in a \$4 million increase in revenues from energy sales attributed to Boralex. For the first half of 2019, the Corporation's share of revenues from energy sales amounted to \$35 million compared with \$31 million for the corresponding period of 2018.

### EBITDA(A)

EBITDA(A) of the Interests in SDB I and II amounted to \$31 million for the six months of 2019 compared with \$26 million for the corresponding period of 2018. This increase is mainly attributable to a favourable difference of \$4 million given the higher production volume, plus the \$1 million resulting from the application of IFRS 16, Leases, the adjustment to Hydro-Québec's invoice and the increase in prices.

### Cash flows

For the six-month period ended June 30, 2019, cash flows from operations amounted to \$23 million, compared with \$19 million for the same period of 2018.

Net cash flows related to operating activities amounted to \$15 million for the first six months of 2019, compared with \$18 million one year earlier.

## DM I and DM II, LP 1, LP 2 and Roncevaux

### Recent and anticipated statistical data concerning production

	Six-month periods ended June 30		
	Actual	Change	
<b>Wind power production (GWh)</b>	<b>2019</b>	Anticipated production <sup>(1)</sup>	vs. anticipated production <sup>(1)</sup>
DM I and DM II	138	114	<b>+ 21%</b>
LP I	110	89	<b>+ 23%</b>
LP II	20	18	<b>+ 10%</b>
Roncevaux	67	58	<b>+ 16%</b>
	<b>335</b>	<b>279</b>	<b>+ 20%</b>

<sup>(1)</sup> See the *Notice concerning forward-looking statements and Abbreviations and definitions* section.

### Revenues from energy sales and EBITDA(A)

	Six-month period ended June 30
(in millions of Canadian dollars) (unaudited)	<b>2019</b>
<b>Revenues from energy sales</b>	34
<b>EBITDA(A)<sup>(1)</sup></b>	28

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

For the first half of 2019, Boralex's share of production of the five wind farms amounted to 335 GWh, given the Corporation's percentage holding in each of these wind farms. This result exceeded expectations by 20%.

Boralex's share of revenues from energy sales and EBITDA(A) for the first six months of the year amounted to \$34 million and \$28 million, respectively.

### Cash flows

For the six-month period ended June 30, 2019, cash flows from operations amounted to \$19 million.

Cash flows related to operating activities amounted to \$21 million for the first six months of 2019.

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

This MD&A also shows a number of these measures on a Combined basis, where the results of the Interests in the Joint Ventures and associates are accounted for according to the ownership interest. Since they represent a significant investment for Boralex, management considers this information useful for investors. For more details, see the Interests in the Joint Ventures and associates note in the Interim Report and the Annual Report.

The analysis of results is shown below as a percentage of interests held by Boralex:

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

## Reconciliation between IFRS and Combined information

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

### Consolidated

	2019			
(in millions of Canadian dollars) (unaudited)	IFRS	Interests	Eliminations	Combined
<b>For the three-month period ended June 30:</b>				
Power production (GWh)	1,009	258	—	1,267
Revenues from energy sales and feed-in premium	121	27	—	148
EBITDA(A)	83	22	(2)*	103
Net loss	(15)	2	(2)*	(15)
Net cash flows related to operating activities	113	20	(9)	124
Cash flows from operations	55	13	(9)**	59
<b>For the six-month period ended June 30:</b>				
Power production (GWh)	2,293	653	—	2,946
Revenues from energy sales and feed-in premium	293	69	—	362
EBITDA(A)	214	59	(16)*	257
Net earnings	16	17	(17)*	16
Net cash flows related to operating activities	178	36	(18)**	196
Cash flows from operations	156	42	(18)**	180
<b>As at June 30:</b>				
Total assets	4,783	875	(197)***	5,461
Debt, including non-current debt and current portion of debt	3,181	569	—	3,750

\* Share in earnings of the Joint Ventures and an associate.

\*\* Distributions received from the Joint Ventures and an associate.

\*\*\* Interests in the Joint Ventures and an associate.

2018

(in millions of Canadian dollars) (unaudited)

	IFRS	SDB I and II (50%)	Eliminations	Combined
<b>For the three-month period ended June 30:</b>				
Power production (GWh)	775	134	—	909
Revenues from energy sales	95	15	—	110
EBITDA(A)	57	12	(1)*	68
Net loss	(33)	3	(3)*	(33)
Net cash flows related to operating activities	52	9	(2)	59
Cash flows from operations	21	7	(2)**	26
<b>For the six-month period ended June 30:</b>				
Power production (GWh)	1,872	283	—	2,155
Revenues from energy sales	247	31	—	278
EBITDA(A)	161	26	(5)*	182
Net loss	(10)	7	(7)*	(10)
Net cash flows related to operating activities	162	18	(6)**	174
Cash flows from operations	98	19	(6)**	111
<b>As at December 31:</b>				
Total assets	4,767	871	(213)***	5,425
Debt, including non-current debt and current portion of debt	3,271	584	—	3,855

\* Share in earnings of the Joint Ventures and an associate.

\*\* Distributions received from the Joint Ventures and an associate.

\*\*\* Interests in the Joint Ventures and an associate.

## Wind

2019

(in millions of Canadian dollars) (unaudited)

	IFRS	Interests	Eliminations	Combined
<b>For the three-month period ended June 30:</b>				
Power production (GWh)	636	258	—	894
NRWF compensation	73	—	—	73
Revenues from energy sales and feed-in premium	709	258	—	967
EBITDA(A)	99	27	—	126
	84	22	(2)*	104
<b>For the six-month period ended June 30:</b>				
Power production (GWh)	1,674	653	—	2,327
NRWF compensation	83	—	—	83
Revenues from energy sales and feed-in premium	1,757	653	—	2,410
EBITDA(A)	245	69	—	314
	214	59	(17)*	256

\* Share in earnings of the Joint Ventures and an associate.

2018

(in millions of Canadian dollars) (unaudited)

	IFRS	SDB I and II (50%)	Eliminations	Combined
<b>For the three-month period ended June 30:</b>				
Power production (GWh)	490	134	—	624
NRWF compensation	28	—	—	28
	518	134	—	652
Revenues from energy sales	73	15	—	88
EBITDA(A)	58	12	(2)*	68
<b>For the six-month period ended June 30:</b>				
Power production (GWh)	1,314	283	—	1,597
NRWF compensation	70	—	—	70
	1,384	283	—	1,667
Revenues from energy sales	198	31	—	229
EBITDA(A)	160	26	(6)*	180

\* Share in earnings of the Joint Ventures and an associate.

## EBITDA(A)

EBITDA(A) represents earnings before interest, taxes, depreciation and amortization, adjusted to include other items such as acquisition costs, net loss on financial instruments and foreign exchange 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

(in millions of Canadian dollars) (unaudited)

	IFRS	Interests	Eliminations	Combined
<b>For the three-month period ended June 30:</b>				
Net loss	(15)	2	(2)	(15)
Income tax recovery	(4)	—	—	(4)
Financing costs	35	9	—	44
Amortization	64	11	—	75
<b>EBITDA</b>	80	22	(2)	100
Adjustments:				
Other	3	—	—	3
<b>EBITDA(A)</b>	83	22	(2)	103
<b>For the six-month period ended June 30:</b>				
Net earnings	16	17	(17)	16
Income tax expense	4	—	—	4
Financing costs	68	18	1	87
Amortization	126	25	—	151
Impairment of intangible assets	2	—	—	2
<b>EBITDA</b>	216	60	(16)	260
Adjustments:				
Other gains	—	(1)	—	(1)
Other	(2)	—	—	(2)
<b>EBITDA(A)</b>	214	59	(16)	257

2018

(in millions of Canadian dollars) (unaudited)

	IFRS	SDB I and II (50%)	Eliminations	Combined
<b>For the three-month period ended June 30:</b>				
Net loss	(33)	3	(3)	(33)
Income tax recovery	(8)	—	—	(8)
Financing costs	30	4	1	35
Amortization	48	5	—	53
Impairment of property, plant and equipment and intangible assets	12	—	—	12
<b>EBITDA</b>	<b>49</b>	<b>12</b>	<b>(2)</b>	<b>59</b>
Adjustments:				
Acquisition costs	7	—	—	7
Other	1	—	1	2
<b>EBITDA(A)</b>	<b>57</b>	<b>12</b>	<b>(1)</b>	<b>68</b>
<b>For the six-month period ended June 30:</b>				
Net loss	(10)	7	(7)	(10)
Income tax recovery	(2)	—	—	(2)
Financing costs	58	9	2	69
Amortization	95	11	—	106
Impairment of property, plant and equipment and intangible assets	12	—	—	12
<b>EBITDA</b>	<b>153</b>	<b>27</b>	<b>(5)</b>	<b>175</b>
Adjustments:				
Acquisition costs	7	—	—	7
Other	1	(1)	—	—
<b>EBITDA(A)</b>	<b>161</b>	<b>26</b>	<b>(5)</b>	<b>182</b>

## 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

(in millions of Canadian dollars) (unaudited)

	IFRS	Interests	Eliminations	Combined
<b>For the three-month period ended June 30:</b>				
Net cash flows related to operating activities	113	20	(9)*	124
Change in non-cash items related to operating activities	(58)	(7)	—	(65)
<b>CASH FLOWS FROM OPERATIONS</b>	<b>55</b>	<b>13</b>	<b>(9)</b>	<b>59</b>
<b>For the six-month period ended June 30:</b>				
Net cash flows related to operating activities	178	36	(18)*	196
Change in non-cash items related to operating activities	(22)	6	—	(16)
<b>CASH FLOWS FROM OPERATIONS</b>	<b>156</b>	<b>42</b>	<b>(18)</b>	<b>180</b>

\* Distributions received from the Joint Ventures and associates.

2018

(in millions of Canadian dollars) (unaudited)

	IFRS	SDB I and II (50%)	Eliminations	Combined
<b>For the three-month period ended June 30:</b>				
Net cash flows related to operating activities	52	9	(2)*	59
Change in non-cash items related to operating activities	(31)	(2)	—	(33)
<b>CASH FLOWS FROM OPERATIONS</b>	<b>21</b>	<b>7</b>	<b>(2)</b>	<b>26</b>
<b>For the six-month period ended June 30:</b>				
Net cash flows related to operating activities	162	18	(6)*	174
Change in non-cash items related to operating activities	(64)	1	—	(63)
<b>CASH FLOWS FROM OPERATIONS</b>	<b>98</b>	<b>19</b>	<b>(6)</b>	<b>111</b>

\* Distributions received from the Joint Ventures and an associate.

## 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	
	As at June 30, 2019	As at December 31, 2018
(in millions of Canadian dollars) (unaudited)		
Non-current debt	2,929	2,857
Current portion of debt	252	414
Borrowing costs, net of accumulated amortization	34	30
Less:		
Cash and cash equivalents	205	157
Restricted cash	51	96
<b>Net debt</b>	<b>2,959</b>	<b>3,048</b>

The Corporation defines total market capitalization as follows:

	IFRS	
	As at June 30, 2019	As at December 31, 2018
(in millions of Canadian dollars, unless otherwise specified) (unaudited)		
Number of outstanding shares (in thousands)	89,251	89,184
Share market price (in \$ per share)	19.69	16.84
Market value of equity attributable to shareholders	1,757	1,502
Non-controlling shareholders	28	31
Net debt	2,959	3,048
Convertible debentures, nominal value	144	144
<b>Total market capitalization</b>	<b>4,888</b>	<b>4,725</b>

The Corporation computes the net debt ratio as follows:

	IFRS	
	As at June 30, 2019	As at December 31, 2018
(in millions of Canadian dollars unless otherwise specified) (unaudited)		
Net debt	2,959	3,048
Total market capitalization	4,888	4,725
<b>NET DEBT RATIO (market capitalization)</b>	<b>61%</b>	<b>65%</b>

## 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 the change in "non-cash items related to operating activities," less (i) distributions paid to non-controlling shareholders, (ii) additions to property, plant and equipment (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, all of which is calculated based on the previous 12 months of operations. Boralex believes it is a measure of its ability to sustain current dividends as well as its ability to fund its future development. For an accurate representation of current operations, this calculation is adjusted to exclude non-recurring items listed in the notes to the table below.

In the medium-term, Boralex expects to pay common share dividends on an annual basis representing a ratio of approximately 40% to 60% of its discretionary cash flows. For the twelve-month period ended June 30, 2019, the dividends paid to shareholders by the Corporation corresponded to 62% of discretionary cash flows.

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

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

	IFRS	
	Twelve-month periods ended	
	As at June 30, <b>2019</b>	As at December 31, <b>2018</b>
(in millions of Canadian dollars, unless otherwise specified) (unaudited)		
Cash flows from operations <sup>(1)</sup>	250	192
Adjustment for non-recurring items <sup>(2)</sup>	3	6
Principal payments related to lease liabilities <sup>(1)</sup>	(5)	—
Distributions paid to non-controlling shareholders	(8)	(7)
Additions to property, plant and equipment (maintenance of operations)	(8)	(8)
Repayments on non-current debt (projects) <sup>(3)</sup>	(169)	(150)
Development costs (from statement of earnings)	28	26
<b>Discretionary cash flows</b>	<b>91</b>	<b>59</b>
Dividends paid to shareholders of Boralex	\$56	\$50
Weighted average number of outstanding shares – basic (in thousands)	86,501	80,102
Discretionary cash flows - per share	\$1.05	\$0.74
Dividends paid to shareholders – per share	\$0.65	\$0.63
<b>Payout ratio</b>	<b>62%</b>	<b>85%</b>

<sup>(1)</sup> The amounts for the quarters in 2019 were treated under IFRS 16, *Leases*, while the amounts for the quarters in 2018 were treated under the previous standard, IAS 17, *Leases*.

<sup>(2)</sup> Excluding primarily the acquisition costs incurred for Kallista (2018) and including receipt of \$2 million for various incentives (2019).

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

## Commitments and contingencies

### France – Cham Longe wind farm

In 2019, the Corporation entered into connection agreements as part of the repowering of the **Cham Longe** wind farm. The Corporation's net commitment under these agreements amounted to \$2 million (€1 million).

### France – Santerre wind power project

On April 10, 2019, the Corporation entered into a turbine purchase contract for the **Santerre** wind project. The Corporation's net commitment under this contract amounted to \$15 million (€10 million).

### France – Contingency

On March 5, 2019, the Administrative Court of Appeal of Nantes rendered decisions favourable to Boralex regarding the 51 MW **Moulins du Lohan** project. On July 7, 2017, the Administrative Tribunal of Rennes cancelled the construction permits for the project. Construction work was then suspended while Boralex appealed the decisions to cancel the permits. The court ruled in favour of Boralex on March 5, 2019. The Société pour la protection des paysages et de l'esthétique de la France appealed these rulings of the Administrative Appeal Court of Nantes to the Council of State on May 7 and 13, 2019. The Council of State is expected to render its decisions in the coming months.

### Canada - Contingency

Under the energy sales agreements 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 the 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. 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.

## Subsequent events

### Joint Ventures Phases I and II and Éoliennes Côte-de-Beaupré S.E.C.

As at June 30, 2019, a class action was in progress due to the alleged inconvenience (in particular noise, dust and vibrations) caused by the construction of the **Seigneurie de Beaupré** Wind Farms. The defendants (Seigneurie de Beaupré Wind Farms 2 and 3 GP, Seigneurie de Beaupré Wind Farm 4 GP and Éoliennes Côte-de-Beaupré S.E.C.) have always been and are still of the opinion, as supported by expert opinions, that the members of the group have not suffered any abnormal inconvenience resulting from the construction work. The matter was scheduled to be heard before the Superior Court of Québec in April 2019. However, an agreement in principle was reached between the parties at a settlement meeting in fall 2018 without any admission of liability. The hearing to approve the transaction took place on April 11, 2019 and the judgment was rendered on July 9, 2019 approving the agreement entered into between the parties in the amount of nearly \$2 million. The insurers covered the costs related to this agreement in July 2019.

### Canada – Contingency

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. Therefore, the Corporation has not recorded any provision in respect of this litigation. Moreover, in its defence, the Corporation has filed a counterclaim for over \$1 million. The legal process related to the counterclaim 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.

### France – Projects under construction

The Corporation has entered into construction contracts and a turbine purchase contract for many projects in France. The Corporation's net commitment under these contracts amounted to \$19 million (€13 million).

## Risk factors and uncertainties

### Risk factors

Boralex has not observed any significant changes regarding the risks to which it is exposed, and which are discussed under *Risk factors* and *uncertainties* in Boralex's annual MD&A for the year ended December 31, 2018.

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

The preparation of financial statements in conformity with IFRS requires management to make estimates and judgments that can materially affect revenues, expenses, comprehensive income, assets and liabilities, and the information reported in the consolidated financial statements. Management determines these estimates based on a number of factors, namely its experience, current events and measures the Corporation could subsequently take, as well as other assumptions it deems reasonable given the circumstances. By their nature, these estimates are subject to measurement uncertainty and actual results may differ from them. Underlying estimates and assumptions are periodically reviewed and the impact of any changes is recognized immediately.

The items in question are presented under *Risk factors* and *uncertainties* in Boralex's annual MD&A for the year ended December 31, 2018.

## 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 contract management purposes. The majority of these options may be exercised by the Corporation only. The lease agreements do not impose any covenants; however, some leased assets may be used as a security for borrowing purposes.

### **Policies applicable from January 1, 2019:**

At inception of a contract, the Corporation assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. 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 comprised of 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; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of that option by the Corporation.

### **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.

### **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.

### **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 *Non-current 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.

### Impact of transition to IFRS 16

The associated 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) (unaudited)	Figures at December 31, 2018	Impact of the transition to IFRS 16	After the transition on January 1, 2019
<b>ASSETS</b>			
Cash and cash equivalents	157	—	157
Restricted cash	96	—	96
Trade and other receivables	142	—	142
Other current assets	27	(2)	25
<b>CURRENT ASSETS</b>	<b>422</b>	<b>(2)</b>	<b>420</b>
Property, plant and equipment	2,918	(52)	2,866
Right-of-use assets	—	242	242
Intangible assets	807	—	807
Goodwill	198	—	198
Interests in the Joint Ventures and associates	270	(4)	266
Other non-current financial assets	137	—	137
Other non-current assets	15	—	15
<b>NON-CURRENT ASSETS</b>	<b>4,345</b>	<b>186</b>	<b>4,531</b>
<b>TOTAL ASSETS</b>	<b>4,767</b>	<b>184</b>	<b>4,951</b>
<b>LIABILITIES</b>			
Trade and other payables	142	—	142
Current portion of debt	414	—	414
Current portion of lease liabilities	—	10	10
Other current financial liabilities	8	—	8
<b>CURRENT LIABILITIES</b>	<b>564</b>	<b>10</b>	<b>574</b>
Non-current debt	2,857	(1)	2,856
Lease liabilities	—	197	197
Convertible debentures	140	—	140
Deferred income tax liability	152	(3)	149
Decommissioning liability	69	—	69
Other non-current financial liabilities	45	—	45
Other non-current liabilities	24	(6)	18
<b>NON-CURRENT LIABILITIES</b>	<b>3,287</b>	<b>187</b>	<b>3,474</b>
<b>TOTAL LIABILITIES</b>	<b>3,851</b>	<b>197</b>	<b>4,048</b>
<b>EQUITY</b>			
Equity attributable to shareholders	876	(9)	867
Non-controlling shareholders	40	(4)	36
<b>TOTAL EQUITY</b>	<b>916</b>	<b>(13)</b>	<b>903</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>4,767</b>	<b>184</b>	<b>4,951</b>

In applying IFRS 16 for the first time, 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 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.

## Internal controls and procedures

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

During the three-month period ended June 30, 2019, no changes were made to ICFR that have materially affected, or are reasonably likely to affect, ICFR.

Unaudited interim

# Consolidated financial statements

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# Consolidated statements of financial position

(in millions of Canadian dollars) (unaudited)	Note	As at June 30, <b>2019</b>	As at December 31, <b>2018</b>
<b>ASSETS</b>			
Cash and cash equivalents		205	157
Restricted cash		51	96
Trade and other receivables		113	142
Other current financial assets	10	6	—
Other current assets		22	27
<b>CURRENT ASSETS</b>		<b>397</b>	<b>422</b>
Property, plant and equipment		2,773	2,918
Right-of-use assets	5	258	—
Intangible assets		773	807
Goodwill		193	198
Interests in the Joint Ventures and associates		253	270
Other non-current financial assets	10	119	137
Other non-current assets		17	15
<b>NON-CURRENT ASSETS</b>		<b>4,386</b>	<b>4,345</b>
<b>TOTAL ASSETS</b>		<b>4,783</b>	<b>4,767</b>
<b>LIABILITIES</b>			
Trade and other payables		127	142
Current portion of debt	6	252	414
Current portion of lease liabilities		11	—
Other current financial liabilities	10	3	8
<b>CURRENT LIABILITIES</b>		<b>393</b>	<b>564</b>
Non-current debt	6	2,929	2,857
Lease liabilities		199	—
Convertible debentures		141	140
Deferred income tax liability		131	152
Decommissioning liability	7	86	69
Other non-current financial liabilities	10	63	45
Other non-current liabilities		20	24
<b>NON-CURRENT LIABILITIES</b>		<b>3,569</b>	<b>3,287</b>
<b>TOTAL LIABILITIES</b>		<b>3,962</b>	<b>3,851</b>
<b>EQUITY</b>			
Equity attributable to shareholders		793	876
Non-controlling shareholders		28	40
<b>TOTAL EQUITY</b>		<b>821</b>	<b>916</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>4,783</b>	<b>4,767</b>

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

# Consolidated statements of earnings (loss)

(in millions of Canadian dollars, unless otherwise specified) (unaudited)	Note	Three-month periods ended June 30		Six-month periods ended June 30	
		2019	2018	2019	2018
<b>REVENUES</b>					
Revenues from energy sales		119	95	288	247
Feed-in premium		2	—	5	—
<b>Revenues from energy sales and feed-in premium</b>		<b>121</b>	<b>95</b>	<b>293</b>	<b>247</b>
Other income		2	2	4	3
		123	97	297	250
<b>COSTS AND OTHER EXPENSES</b>					
Operating		26	30	69	69
Administrative		9	8	17	15
Development		6	4	12	10
Amortization		64	48	126	95
Impairment of property, plant and equipment and intangible assets	8	—	12	2	12
		105	102	226	201
<b>OPERATING INCOME (LOSS)</b>		<b>18</b>	<b>(5)</b>	<b>71</b>	<b>49</b>
Acquisition costs		—	7	—	7
Financing costs		35	30	68	58
Share in earnings of the Joint Ventures and associates		(1)	(2)	(15)	(5)
Other		3	1	(2)	1
<b>EARNINGS (LOSS) BEFORE INCOME TAXES</b>		<b>(19)</b>	<b>(41)</b>	<b>20</b>	<b>(12)</b>
Income tax expense (recovery)		(4)	(8)	4	(2)
<b>NET EARNINGS (LOSS)</b>		<b>(15)</b>	<b>(33)</b>	<b>16</b>	<b>(10)</b>
<b>NET EARNINGS (LOSS) ATTRIBUTABLE TO:</b>					
Shareholders of Boralex		(13)	(28)	16	(8)
Non-controlling shareholders		(2)	(5)	—	(2)
<b>NET EARNINGS (LOSS)</b>		<b>(15)</b>	<b>(33)</b>	<b>16</b>	<b>(10)</b>
<b>NET EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX – BASIC AND DILUTED</b>	9	<b>(\$0.14)</b>	<b>(\$0.36)</b>	<b>\$0.18</b>	<b>(\$0.10)</b>

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

# Consolidated statements of comprehensive income (loss)

(in millions of Canadian dollars) (unaudited)	Three-month periods ended June 30		Six-month periods ended June 30	
	2019	2018	2019	2018
<b>NET EARNINGS (LOSS)</b>	(15)	(33)	16	(10)
<b>Other comprehensive income (loss) to be subsequently reclassified to net earnings (loss) when certain conditions are met</b>				
Translation adjustments:				
Unrealized foreign exchange gain (loss) on translation of financial statements of self-sustaining foreign operations	(6)	(12)	(34)	11
Net investment hedge:				
Change in fair value	4	5	17	(3)
Cash flow hedges:				
Change in fair value	(21)	(1)	(56)	2
Hedging items realized and recognized in net earnings (loss)	3	3	5	7
Income taxes	5	—	13	(2)
Cash flow hedges – Interests:				
Change in fair value	(5)	—	(14)	1
Hedging items realized and recognized in net earnings (loss)	1	1	2	2
Income taxes	1	(1)	3	(1)
Total other comprehensive income (loss)	(18)	(5)	(64)	17
<b>COMPREHENSIVE INCOME (LOSS)</b>	(33)	(38)	(48)	7
<b>COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:</b>				
Shareholders of Boralex	(30)	(33)	(45)	9
Non-controlling shareholders	(3)	(5)	(3)	(2)
<b>COMPREHENSIVE INCOME (LOSS)</b>	(33)	(38)	(48)	7

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

# Consolidated statements of changes in equity

Six-month period  
ended June 30

**2019**

(in millions of Canadian dollars) (unaudited)	Equity attributable to shareholders					Total	Non-controlling shareholders	Total equity
	Capital stock	Equity component of convertible debentures	Contributed surplus	Accumulated deficit	Accumulated other comprehensive income (loss)			
<b>BALANCE AS AT JANUARY 1, 2019</b>	984	4	9	(123)	2	876	40	916
Impact of adopting IFRS 16 – net of taxes (note 3)	—	—	—	(9)	—	(9)	(4)	(13)
<b>BALANCE AS AT JANUARY 1, 2019 – RESTATED</b>	984	4	9	(132)	2	867	36	903
Net earnings	—	—	—	16	—	16	—	16
Other comprehensive loss	—	—	—	—	(61)	(61)	(3)	(64)
<b>COMPREHENSIVE INCOME (LOSS)</b>	—	—	—	16	(61)	(45)	(3)	(48)
Dividends (note 9)	—	—	—	(29)	—	(29)	—	(29)
Exercise of options	1	—	—	—	—	1	—	1
Distributions paid to non-controlling shareholders	—	—	—	—	—	—	(5)	(5)
Other	—	—	—	(1)	—	(1)	—	(1)
<b>BALANCE AS AT JUNE 30, 2019</b>	985	4	9	(146)	(59)	793	28	821

Six-month period  
ended June 30

**2018**

(in millions of Canadian dollars) (unaudited)	Equity attributable to shareholders					Total	Non-controlling shareholders	Total equity
	Capital stock	Equity component of convertible debentures	Contributed surplus	Accumulated deficit	Accumulated other comprehensive income (loss)			
<b>BALANCE AS AT JANUARY 1, 2018</b>	733	4	9	(43)	(18)	685	44	729
Net loss	—	—	—	(8)	—	(8)	(2)	(10)
Other comprehensive income	—	—	—	—	17	17	—	17
<b>COMPREHENSIVE INCOME (LOSS)</b>	—	—	—	(8)	17	9	(2)	7
Dividends (note 9)	—	—	—	(23)	—	(23)	—	(23)
Exercise of options	1	—	—	—	—	1	—	1
Distributions paid to non-controlling shareholders	—	—	—	—	—	—	(4)	(4)
Share of a non-controlling shareholder resulting from a business combination	—	—	—	—	—	—	9	9
Other	(1)	—	—	—	—	(1)	1	—
<b>BALANCE AS AT JUNE 30, 2018</b>	733	4	9	(74)	(1)	671	48	719

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

# Consolidated statements of cash flows

(in millions of Canadian dollars) (unaudited)	Note	Three-month periods ended June 30		Six-month periods ended June 30	
		2019	2018	2019	2018
Net earnings (loss)		(15)	(33)	16	(10)
Distributions received from the Joint Ventures and associates		9	2	18	6
Financing costs		35	30	68	58
Interest paid		(35)	(27)	(62)	(55)
Income tax expense (recovery)		(4)	(8)	4	(2)
Income taxes paid		—	(1)	(1)	(1)
Non-cash items in earnings (loss):					
Amortization		64	48	126	95
Share in earnings of the Joint Ventures and associates		(1)	(2)	(15)	(5)
Impairment of property, plant and equipment and intangible assets	8	—	12	2	12
Other		2	—	—	—
Change in non-cash items related to operating activities		58	31	22	64
<b>NET CASH FLOWS RELATED TO OPERATING ACTIVITIES</b>		<b>113</b>	<b>52</b>	<b>178</b>	<b>162</b>
Business acquisitions, net of cash acquired		—	(104)	—	(108)
Additions to property, plant and equipment		(38)	(55)	(74)	(114)
Acquisition of energy sales contracts		(15)	—	(15)	(10)
Change in restricted cash		(22)	(6)	(1)	(16)
Change in reserve funds		(1)	—	(10)	(1)
Other		(1)	3	(2)	2
<b>NET CASH FLOWS RELATED TO INVESTING ACTIVITIES</b>		<b>(77)</b>	<b>(162)</b>	<b>(102)</b>	<b>(247)</b>
Increase in non-current debt		90	273	153	522
Repayments on non-current debt		(56)	(36)	(175)	(263)
Repayment of loans assumed in a business acquisition	4	—	(86)	—	(86)
Change in restricted cash		—	—	43	—
Distributions paid to non-controlling shareholders		(5)	(4)	(5)	(4)
Principal payments relating to lease liabilities		(2)	—	(5)	—
Dividends paid to shareholders of Boralex	9	(14)	(12)	(29)	(23)
Financing costs		(4)	—	(4)	(4)
Early redemption of financial instruments		—	(7)	—	(17)
Other		—	1	—	1
<b>NET CASH FLOWS RELATED TO FINANCING ACTIVITIES</b>		<b>9</b>	<b>129</b>	<b>(22)</b>	<b>126</b>
<b>TRANSLATION ADJUSTMENT ON CASH AND CASH EQUIVALENTS</b>		<b>(2)</b>	<b>(2)</b>	<b>(6)</b>	<b>3</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>		<b>43</b>	<b>17</b>	<b>48</b>	<b>44</b>
<b>CASH AND CASH EQUIVALENTS – BEGINNING OF PERIOD</b>		<b>162</b>	<b>142</b>	<b>157</b>	<b>115</b>
<b>CASH AND CASH EQUIVALENTS – END OF PERIOD</b>		<b>205</b>	<b>159</b>	<b>205</b>	<b>159</b>

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

# Notes to consolidated financial statements

As at June 30, 2019

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

## Note 1. Incorporation and nature of business

Boralex Inc., its subsidiaries and its Joint Ventures and associates ("Boralex" or the "Corporation") are dedicated to the development, construction and operation of renewable energy power facilities. As at June 30, 2019, the Corporation had interests in 84 wind farms, 16 hydroelectric power stations, two thermal power stations and three solar power stations, representing an asset base with an installed capacity under its control totalling 2,003 megawatts ("MW"). In addition, Boralex currently has new projects under development, representing an additional 82 MW of power. The Corporation also operates two hydroelectric power stations on behalf of R.S.P. Énergie Inc., an entity of which one of the three shareholders is Patrick Lemaire, 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 and convertible debentures are listed on the Toronto Stock Exchange ("TSX").

*(The data expressed in MW and GWh contained in notes 1, 4, 8, 11, 12 and 13 have not been reviewed by the auditor.)*

## Note 2. Basis of presentation

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and set out in the *CPA Canada Handbook*. The accounting policies followed in these unaudited interim condensed consolidated financial statements are the same as those applied in the audited annual consolidated financial statements of the Corporation for the year ended December 31, 2018, except for income taxes for the interim periods, which are calculated using the tax rate that would be applicable to expected annual earnings for each jurisdiction, and except for changes to the accounting policies described in note 3. As permitted under IAS 34, these interim financial statements do not constitute a complete set of financial statements, as the Corporation does not present all the notes included in its annual report. To avoid repetition of previously reported information, the Corporation deemed it unnecessary to include such information and, therefore, advises readers that these financial statements constitute a condensed set of financial statements under IAS 34. These unaudited interim condensed consolidated financial statements are intended to provide an update on the latest complete set of annual financial statements and should therefore be read in conjunction with the Corporation's audited annual consolidated financial statements for the year ended December 31, 2018.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Corporation's accounting policies. These areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in the audited annual consolidated financial statements of the Corporation for the year ended December 31, 2018.

The Board of Directors approved these unaudited interim condensed consolidated financial statements on August 7, 2019.

## Note 3. 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 contract management purposes. The majority of these options may be exercised by the Corporation only. The lease agreements do not impose any covenants; however, some leased assets may be used as a security for borrowing purposes.

#### Policies applicable from January 1, 2019:

At inception of a contract, the Corporation assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. 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 comprised of 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; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of that option by the Corporation.

### **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.

### **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.

### **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 *Non-current 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.

### **Impact of transition to IFRS 16**

The associated 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 lease 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.

Note 3. Changes in accounting policies (cont'd)

**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) (unaudited)	Figures as at December 31, 2018	Impact of the transition to IFRS 16	After the transition on January 1, 2019
<b>ASSETS</b>			
Cash and cash equivalents	157	—	157
Restricted cash	96	—	96
Trade and other receivables	142	—	142
Other current assets	27	(2)	25
<b>CURRENT ASSETS</b>	<b>422</b>	<b>(2)</b>	<b>420</b>
Property, plant and equipment	2,918	(52)	2,866
Right-of-use assets	—	242	242
Intangible assets	807	—	807
Goodwill	198	—	198
Interests in the Joint Ventures and associates	270	(4)	266
Other non-current financial assets	137	—	137
Other non-current assets	15	—	15
<b>NON-CURRENT ASSETS</b>	<b>4,345</b>	<b>186</b>	<b>4,531</b>
<b>TOTAL ASSETS</b>	<b>4,767</b>	<b>184</b>	<b>4,951</b>
<b>LIABILITIES</b>			
Trade and other payables	142	—	142
Current portion of debt	414	—	414
Current portion of lease liabilities	—	10	10
Other current financial liabilities	8	—	8
<b>CURRENT LIABILITIES</b>	<b>564</b>	<b>10</b>	<b>574</b>
Non-current debt	2,857	(1)	2,856
Lease liabilities	—	197	197
Convertible debentures	140	—	140
Deferred income tax liability	152	(3)	149
Decommissioning liability	69	—	69
Other non-current financial liabilities	45	—	45
Other non-current liabilities	24	(6)	18
<b>NON-CURRENT LIABILITIES</b>	<b>3,287</b>	<b>187</b>	<b>3,474</b>
<b>TOTAL LIABILITIES</b>	<b>3,851</b>	<b>197</b>	<b>4,048</b>
<b>EQUITY</b>			
Equity attributable to shareholders	876	(9)	867
Non-controlling shareholders	40	(4)	36
<b>TOTAL EQUITY</b>	<b>916</b>	<b>(13)</b>	<b>903</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>4,767</b>	<b>184</b>	<b>4,951</b>

### Note 3. Changes in accounting policies (cont'd)

In applying IFRS 16 for the first time, 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 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.

## Note 4. Business combination

### 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 due 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 *Non-current 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*. 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	161	104
Goodwill	15	9	12	8
Other non-current assets	10	6	10	6
Current liabilities	(4)	(2)	(4)	(2)
Assumed non-current debt	(171)	(111)	(171)	(111)
Deferred income tax liabilities	(5)	(3)	(9)	(6)
Other non-current financial liabilities	(5)	(3)	(5)	(3)
Decommissioning liability	(12)	(7)	(12)	(7)
Due to a non-controlling shareholder	(6)	(4)	(6)	(4)
Non-controlling shareholder	—	—	(9)	(6)
	199	129	199	129
Assumed loan to a shareholder	(78)	(51)	(78)	(51)
<b>Net assets</b>	121	78	121	78
Less:				
Cash and cash equivalents acquired	21	13	21	13
<b>Net consideration paid for the acquisition</b>	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, 2018, would have been higher by \$22 million (€14 million) at \$493 million and net loss would have been \$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.

## Note 5. Leases

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

	As at June 30, <b>2019</b>
<b>Right-of-use assets:</b>	
Land leases <sup>(1)</sup>	234
Building leases	18
Other	6
	<b>258</b>

<sup>(1)</sup> Includes land restoration costs of \$67 million.

The Corporation also revised the amortization period for restoration costs of property, plant and equipment to 25 years. Following this assumption revision, the *Right-of-use assets* and the *Decommissioning liability* were increased by \$17 million.

The following table shows the change in right-of-use assets:

	<b>2019</b>
<b>Balance as January 1, 2019</b>	<b>242</b>
Revised cash flow estimates	17
Additions	7
Translation adjustment	(1)
Amortization	(7)
<b>Balance as at June 30, 2019</b>	<b>258</b>

Additions to the right-of-use assets during fiscal 2019 were insignificant.

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

	Three-month periods ended June 30		Six-month periods ended June 30	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Amortization of right-of-use assets:				
Land leases	3	—	6	—
Building leases and other	—	—	1	—
	<b>3</b>	<b>—</b>	<b>7</b>	<b>—</b>
Interest expense included in financing costs	2	—	4	—
Lease expense	1	4	1	7
<b>Lease related expenses</b>	<b>6</b>	<b>4</b>	<b>12</b>	<b>7</b>

## Note 6. Non-current debt

	Note	Maturity	Rate <sup>(1)</sup>	Currency of origin <sup>(2)</sup>	As at June 30, 2019	As at December 31, 2018
Revolving credit facility	(a)	2023	3.73		348	277
Subordinated debt <sup>(3)</sup>		2028	5.64		300	300
Term loan payable:						
Ocean Falls hydroelectric power station		2024	6.55		6	6
Yellow Falls hydroelectric power station		2027-2056	4.87		73	74
Thames River wind farms		2031	7.05		125	129
Témiscouata I wind farm		2032	5.29		43	44
Témiscouata II wind farm		2033	5.65		109	111
Niagara Region Wind Farm ("NRWF")		2034	3.74		694	718
Port Ryerse wind farm		2034	3.97		28	29
Frampton wind farm		2035	4.19		64	66
Côte-de-Beaupré wind farm		2035	4.25		52	52
Moose Lake wind farm		2043	4.88		48	29
Jamie Creek hydroelectric power station		2054	5.42		55	55
Other debt		—	—		4	4
<b>CANADA</b>					<b>1,949</b>	<b>1,894</b>
Master agreement – wind farms in France		2025	5.40	50	74	88
Bridge financing facility – France and Scotland	(b)	2019	0.25	14	20	72
Term loan payable:						
Cube	(c)	2019	6.50	—	—	63
CDPQ Fixed Income Inc. ("Caisse")	(c)	2024	4.00	40	60	—
Kallista wind farms		2021-2035	3.33	101	149	170
Lauragais solar power facility		2028	3.96	7	11	12
Sainte-Séverine portfolio of wind farms <sup>(4)</sup>		2032	1.59	109	162	183
St-Patrick wind farm		2027	1.66	27	39	45
La Vallée wind farm		2028	4.42	23	35	37
Fortel-Bonnières and St-François wind farms		2029	3.74	43	64	70
Vron wind farm		2030	3.39	8	12	13
Boralex Énergie Verte wind farms		2030	2.37	142	212	235
Calmont wind farm		2030	2.54	17	25	27
Plateau de Savernat wind farm		2031	2.41	14	21	23
Touvent wind farm		2031	2.17	15	23	25
Les Cigarettes solar power facility		2033	2.93	7	11	12
Sainte-Christine portfolio of wind farms and projects <sup>(5)</sup>		2033	2.12	194	289	266
Other debt		—	—	2	3	5
<b>FRANCE</b>				<b>813</b>	<b>1,210</b>	<b>1,346</b>
Senior secured U.S. note		2026	3.51	43	56	61
<b>UNITED STATES</b>				<b>43</b>	<b>56</b>	<b>61</b>
			3.79		3,215	3,301
Current portion of debt					(252)	(414)
Borrowing costs, net of accumulated amortization					(34)	(30)
					<b>2,929</b>	<b>2,857</b>

<sup>(1)</sup> Weighted average rates, adjusted to reflect the impact of interest rate swaps and calculated using the effective interest method, where applicable.

<sup>(2)</sup> Currencies of origin are CAD (Canada), EUR (France) and USD (United States).

<sup>(3)</sup> Lenders are CDPQ Fixed Income Inc., a subsidiary of the shareholder of the Corporation, and the Fonds de solidarité FTQ.

<sup>(4)</sup> Includes the Mont de Bagny, Voie des Monts, Artois and Chemin de Grès wind farms.

<sup>(5)</sup> Includes the Inter Deux Bos, Côteaux du Blaiseron, Hauts de Comble, Sources de l'Ancre, Le Pelon, Basse Thiérache Nord and Catésis wind farms as well as the Seuil du Cambrésis and Cham Longue I wind power projects.

## (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.

## (b) 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.

## (c) 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 the Caisse subsidiary, 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.

## Current portion of debt

	Note	As at June 30, <b>2019</b>	As at December 31, <b>2018</b>
Term loan payable – projects		177	179
Term loan payable – corporate <sup>(1)</sup>	(b), (c)	20	135
Value added tax bridge financing facility		15	11
Term loan payable – reclassified to current following the event of default <sup>(2)</sup>		40	89
		<b>252</b>	<b>414</b>

<sup>(1)</sup> Cube term loan and bridge financing facility – France and Scotland.

<sup>(2)</sup> See *Financial ratios* section.

## Financial ratios

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.

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). In May 2019, a notice of waiver was received from the lender of the Fortel-Bonnières debt. Accordingly, this debt was reclassified as long-term as at that date.

As at March 31, 2019, according to management's calculations and based on new information available, the debt service coverage ratio as at December 31, 2018 was not met for one debt in France (Les Cigarettes solar power station) and the debt was reclassified to *Current liabilities*.

As at June 30, 2019, two debts in France were still classified as current because they did not comply with the debt service coverage ratio as at December 31, 2018 (Les Cigarettes solar power facility and Calmont wind farm). An additional debt in France was not in compliance with the debt service coverage ratio as at June 30, 2019 (one of the Kallista wind farm debts). As a result, the reclassification of debts as *Current liabilities* amounted to \$40 million (€27 million). Note that a waiver letter was received from the lender for Les Cigarettes debt in July 2019. Consequently, this debt was reclassified as long-term in the Corporation's financial statements in July 2019.

Except as set out above, as at December 31, 2018 and June 30, 2019, the Corporation considers that Boralex and its subsidiaries were in compliance with all their ratios and financial commitments.

## Note 7. 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, as well as the revegetation. No disbursements are expected before 2020. Following the annual review of assumptions and to align the assumptions with those used under the new IFRS 16 standard, the Corporation revised the useful life of property, plant and equipment up to the decommissioning date to 25 years. The useful lives ranged from 22 to 80 years as at December 31, 2018. As at June 30, 2019, cash flows were discounted using pre-tax interest rates that reflect the assessment of the risks specific to each liability, ranging from 2.11% to 3.86% (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:

	2019
<b>Balance as at January 1, 2019</b>	69
Translation adjustment	(2)
Revised cash flow estimates	17
New obligations	1
Accretion expense included in financing costs	1
<b>Balance as at June 30, 2019</b>	86

	2018
<b>Balance as at January 1, 2018</b>	48
Translation adjustments	1
Liability assumed as part of a business acquisition	12
New obligations	6
Accretion expense included in financing costs	2
<b>Balance as at December 31, 2018</b>	69

## **Note 8. Impairment of property, plant and equipment and intangible assets**

### **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.

### **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 9. Net earnings (loss) per share

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

(in millions of Canadian dollars, unless otherwise specified) (unaudited)	Three-month periods ended June 30		Six-month periods ended June 30	
	2019	2018	2019	2018
Net earnings (loss) attributable to shareholders of Boralex	(13)	(28)	16	(8)
Weighted average number of shares - basic	89,200,490	76,318,743	89,192,754	76,287,941
Net earnings (loss) per share attributable to shareholders of Boralex - basic	(\$0.14)	(\$0.36)	\$0.18	(\$0.10)

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

(in millions of Canadian dollars, unless otherwise specified) (unaudited)	Three-month periods ended June 30		Six-month periods ended June 30	
	2019	2018	2019	2018
Net earnings (loss) attributable to shareholders of Boralex	(13)	(28)	16	(8)
Weighted average number of shares - basic	89,200,490	76,318,743	89,192,754	76,287,941
Dilutive effect of stock options	—	—	181,168	—
Weighted average number of shares - diluted	89,200,490	76,318,743	89,373,922	76,287,941
Net earnings (loss) per share attributable to shareholders of Boralex - diluted	(\$0.14)	(\$0.36)	\$0.18	(\$0.10)

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

	Three-month periods ended June 30		Six-month periods ended June 30	
	2019	2018	2019	2018
Convertible debentures excluded due to their anti-dilutive effect	7,331,990	7,332,909	7,331,990	7,333,117
Stock options excluded due to their anti-dilutive effect	585,869	622,898	61,182	622,898

### (c) Dividends declared and paid

On August 7, 2019, a dividend of \$0.1650 per common share was declared and will be paid on September 17, 2019 to holders of record at the close of business on August 30, 2019.

The Corporation paid dividends in the total amount of \$29 million for the six-month period ended June 30, 2019 (\$23 million in 2018).

## Note 10. Financial instruments

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

		As at June 30, <b>2019</b>		As at December 31, <b>2018</b>	
	Note	Carrying amount	Fair value	Carrying amount	Fair value
<b>OTHER CURRENT FINANCIAL ASSETS</b>					
Cross-currency swaps (EUR for CAD)		6	6	—	—
<b>OTHER NON-CURRENT FINANCIAL ASSETS</b>					
Reserve funds		65	65	57	57
Advance to a non-controlling shareholder		36	37	35	34
Interest rate swaps		3	3	30	30
Options to purchase a partner's interests		15	15	15	15
		119	120	137	136
<b>OTHER CURRENT FINANCIAL LIABILITIES</b>					
Cross-currency swaps (EUR for CAD)		—	—	8	8
Cross-currency swaps (USD for CAD)		3	3	—	—
		3	3	8	8
<b>DEBT<sup>(1)</sup></b>	6	3,181	3,318	3,271	3,319
<b>CONVERTIBLE DEBENTURES<sup>(2)</sup></b>		145	149	144	147
<b>OTHER NON-CURRENT FINANCIAL LIABILITIES</b>					
Due to a non-controlling shareholder	4	6	7	6	7
Foreign exchange forward contracts		2	2	7	7
Interest rate swaps		55	55	32	32
		63	64	45	46

<sup>(1)</sup> Including Non-current debt and the Current portion of debt.

<sup>(2)</sup> Including equity portion.

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

The fair values of cash and cash equivalents, restricted cash, trade and other receivables 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 0.85% to 7.24% (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 are traded on the stock exchange and their fair values are 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 June 30,

<b>2019</b>	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	2020-2041	515	(47)
Interest rate swaps	CAD	1.81% to 2.68%	3-month CDOR	2034-2043	763	(5)

As at December 31,

<b>2018</b>	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 June 30,

**2019**

	Exchange rate	Maturity	Current notional (in CAD)	Fair value (in CAD)
Foreign exchange forward contracts (EUR for CAD)	1.5475	2019-2025	101	(2)

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 USD. 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 June 30,

**2019**

	Exchange rate	Maturity	Current notional (in CAD)	Fair value (in CAD)
Cross-currency swaps (EUR for CAD)	1.5071	2020	479	6
Cross-currency swaps (USD for CAD)	1.3201	2019	340	(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.

## Note 10. Financial instruments (cont'd)

For the advance to a non-controlling shareholder and the due to a non-controlling shareholder, the Corporation has classified fair value measurements within 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 has classified fair value measurements within 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:

	As at June 30, <b>2019</b>	Fair value hierarchy levels		
		Level 1	Level 2	Level 3
<b>NON-DERIVATIVE FINANCIAL ASSETS</b>				
Advance to a non-controlling shareholder	37	—	—	37
Reserve funds	65	65	—	—
	102	65	—	37
<b>DERIVATIVE FINANCIAL ASSETS</b>				
Cross-currency swaps (EUR for CAD)	6	—	6	—
Interest rate swaps	3	—	3	—
Options to purchase a partner's interests	15	—	—	15
	24	—	9	15
<b>NON-DERIVATIVE FINANCIAL LIABILITIES</b>				
Debt <sup>(1)</sup>	3,318	—	3,318	—
Convertible debentures <sup>(2)</sup>	149	149	—	—
Due to a non-controlling shareholder	7	—	—	7
	3,474	149	3,318	7
<b>DERIVATIVE FINANCIAL LIABILITIES</b>				
Foreign exchange forward contracts	2	—	2	—
Cross-currency swaps (USD for CAD)	3	—	3	—
Interest rate swaps	55	—	55	—
	60	—	60	—

<sup>(1)</sup> Including *Non-current debt* and *Current portion of debt*.

<sup>(2)</sup> Including equity portion.

Note 10. Financial instruments (cont'd)

	As at December 31, <b>2018</b>	Fair value hierarchy levels		
		Level 1	Level 2	Level 3
<b>NON-DERIVATIVE FINANCIAL ASSETS</b>				
Advance to a non-controlling shareholder	34	—	—	34
Reserve funds	57	57	—	—
	91	57	—	34
<b>DERIVATIVE FINANCIAL ASSETS</b>				
Interest rate swaps	30	—	30	—
Options to purchase a partner's interests	15	—	—	15
	45	—	30	15
<b>NON-DERIVATIVE FINANCIAL LIABILITIES</b>				
Debt <sup>(1)</sup>	3,319	—	3,319	—
Convertible debentures <sup>(2)</sup>	147	147	—	—
Due to a non-controlling shareholder	7	—	—	7
	3,473	147	3,319	7
<b>DERIVATIVE FINANCIAL LIABILITIES</b>				
Foreign exchange forward contracts	7	—	7	—
Cross-currency swaps (EUR for CAD)	8	—	8	—
Interest rate swaps	32	—	32	—
	47	—	47	—

<sup>(1)</sup> Including Non-current debt and Current portion of debt.

<sup>(2)</sup> Including equity portion.

The financial instruments classified in Level 3 have changed as follows:

<b>2019</b>	Advance to a non-controlling shareholder	Options to purchase a partner's interests	Due to a non-controlling shareholder
<b>Balance as at January 1, 2019</b>	34	15	7
Additions	3	—	—
<b>Balance as at June 30, 2019</b>	37	15	7

<b>2018</b>	Advance to a non-controlling shareholder	Options to purchase a partner's interests	Due to a non-controlling shareholder
<b>Balance as at January 1, 2018</b>	31	—	—
Business combinations	—	—	6
Additions	3	15	—
Translation adjustments	—	—	1
<b>Balance as at December 31, 2018</b>	34	15	7

## Note 11. Commitments and contingencies

### France – Cham Longe wind farm

In 2019, the Corporation entered into connection agreements as part of the repowering of the **Cham Longe** wind farm. The Corporation's net commitment under these agreements amounted to \$2 million (€1 million).

### France – Santerre wind power project

On April 10, 2019, the Corporation entered into a turbine purchase contract for the **Santerre** wind project. The Corporation's net commitment under this contract amounted to \$15 million (€10 million).

### France – Contingency

On March 5, 2019, the Administrative Court of Appeal of Nantes rendered decisions favourable to Boralex regarding the 51 MW **Moulins du Lohan** project. On July 7, 2017, the Administrative Tribunal of Rennes cancelled the construction permits for the project. Construction work was then suspended while Boralex appealed the decisions to cancel the permits. The court ruled in favour of Boralex on March 5, 2019. The Société pour la protection des paysages et de l'esthétique de la France appealed these rulings of the Administrative Appeal Court of Nantes to the Council of State on May 7 and 13, 2019. The Council of State is expected to render its decisions in the coming months.

### Canada - Contingency

Under the energy sales agreements 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 the 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. 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.

## Note 12. Seasonal and other cyclical factors

The Corporation's operations and results are partly subject to seasonal cycles and other cyclical factors that vary by segment. Since nearly all of Boralex facilities have long-term indexed, fixed-price energy sales contracts, seasonal cycles mainly affect the total volume of power generated by the Corporation. Only the energy produced by five hydroelectric power stations in the United States and one in Ontario, one wind farm in Alberta and two others in France, which account for 3% of Boralex's total installed capacity, is sold at market prices, which are more volatile. For the three-month period ended June 30, 2019, revenues from energy sales for facilities not covered by energy sales contracts amounted to \$2 million (\$1 million for the same period of 2018). For the six-month period ended June 30, 2019, revenues from energy sales for facilities not covered by energy sales contracts amounted to \$4 million (\$3 million for the same period of 2018).

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

### Wind

For the wind power assets in operation in which Boralex's share totalled 1,768 MW, wind conditions both in France and Canada are usually more favourable in the winter, which falls during Boralex's first and fourth quarters. However, in winter there is a greater risk of lower production caused by weather conditions, such as icing. More specifically, management estimates the breakdown of wind power segment production at approximately 60% for the first and fourth quarters and 40% for the second and third quarters.

### Hydroelectric

The hydroelectric power assets had an installed capacity of 172 MW as at June 30, 2019 and will increase to 182 MW with the increase in capacity at the Buckingham power station at the end of 2019. The energy 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, corresponding to Boralex's second and fourth quarters. Historically, water flow tends to decrease in winter and summer. However, over a long-term horizon, there may be variations from year to year due to short-term weather conditions. In general, management estimates the breakdown of annual hydroelectric power generated at approximately 60% for the second and fourth quarters and 40% for the first and third quarters. Note that apart from four hydroelectric power stations whose water flow is regulated upstream and is not under the Corporation's control, Boralex's other hydroelectric facilities do not have reservoirs that would permit water flow regulation during the year.

### Thermal

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

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

### Solar

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

## Note 13. Segmented information

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

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

	IFRS	Interests	Eliminations	Combined
<b>Three-month period ended June 30:</b>				
Net loss	(15)	2	(2)	(15)
Income tax recovery	(4)	—	—	(4)
Financing costs	35	9	—	44
Amortization	64	11	—	75
<b>EBITDA</b>	<b>80</b>	<b>22</b>	<b>(2)</b>	<b>100</b>
Adjustments:				
Other	3	—	—	3
<b>EBITDA(A)</b>	<b>83</b>	<b>22</b>	<b>(2)</b>	<b>103</b>
<b>Six-month period ended June 30:</b>				
Net earnings	16	17	(17)	16
Income tax expense	4	—	—	4
Financing costs	68	18	1	87
Amortization	126	25	—	151
Impairment of intangible assets	2	—	—	2
<b>EBITDA</b>	<b>216</b>	<b>60</b>	<b>(16)</b>	<b>260</b>
Adjustments:				
Other gains	—	(1)	—	(1)
Other	(2)	—	—	(2)
<b>EBITDA(A)</b>	<b>214</b>	<b>59</b>	<b>(16)</b>	<b>257</b>

2018

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

## Information by operating segment

Three-month period  
ended June 30

**2019**

	IFRS	Interests	Eliminations	Combined
<b>Power production (GWh)</b>				
Wind power stations	636	258	—	894
NRWF compensation	73	—	—	73
	709	258	—	967
Hydroelectric power stations	255	—	—	255
Thermal power stations	38	—	—	38
Solar power stations	7	—	—	7
	1,009	258	—	1,267
<b>Revenues from energy sales and feed-in premium</b>				
Wind power stations	99	27	—	126
Hydroelectric power stations	16	—	—	16
Thermal power stations	5	—	—	5
Solar power stations	1	—	—	1
	121	27	—	148
<b>EBITDA(A)</b>				
Wind power stations	84	22	(2)	104
Hydroelectric power stations	12	—	—	12
Thermal power stations	1	—	—	1
Solar power stations	1	—	—	1
Corporate and eliminations	(15)	—	—	(15)
	83	22	(2)	103
<b>Additions to property, plant and equipment</b>				
Wind power stations	26	—	—	26
Hydroelectric power stations	10	—	—	10
Thermal power stations	1	—	—	1
Corporate	1	—	—	1
	38	—	—	38

	IFRS	SDB I and II (50%)	Eliminations	Combined
<b>Power production (GWh)</b>				
Wind power stations	490	134	—	624
NRWF compensation	28	—	—	28
	518	134	—	652
Hydroelectric power stations	194	—	—	194
Thermal power stations	57	—	—	57
Solar power stations	6	—	—	6
	775	134	—	909
<b>Revenues from energy sales and feed-in premium</b>				
Wind power stations	73	15	—	88
Hydroelectric power stations	14	—	—	14
Thermal power stations	7	—	—	7
Solar power stations	1	—	—	1
	95	15	—	110
<b>EBITDA(A)</b>				
Wind power stations	58	12	(2)	68
Hydroelectric power stations	10	—	—	10
Thermal power stations	1	—	—	1
Solar power stations	1	—	—	1
Corporate and eliminations	(13)	—	1	(12)
	57	12	(1)	68
<b>Additions to property, plant and equipment</b>				
Wind power stations	48	—	—	48
Hydroelectric power stations	3	—	—	3
Corporate	4	—	—	4
	55	—	—	55

	IFRS	Interests	Eliminations	Combined
<b>Power production (GWh)</b>				
Wind power stations	1,674	653	—	2,327
NRWF compensation	83	—	—	83
	1,757	653	—	2,410
Hydroelectric power stations	414	—	—	414
Thermal power stations	110	—	—	110
Solar power stations	12	—	—	12
	2,293	653	—	2,946
<b>Revenues from energy sales and feed-in premium</b>				
Wind power stations	245	69	—	314
Hydroelectric power stations	28	—	—	28
Thermal power stations	18	—	—	18
Solar power stations	2	—	—	2
	293	69	—	362
<b>EBITDA(A)</b>				
Wind power stations	214	59	(17)	256
Hydroelectric power stations	20	—	—	20
Thermal power stations	7	—	—	7
Solar power stations	2	—	—	2
Corporate and eliminations	(29)	—	1	(28)
	214	59	(16)	257
<b>Additions to property, plant and equipment</b>				
Wind power stations	53	—	—	53
Hydroelectric power stations	16	—	—	16
Thermal power stations	2	—	—	2
Corporate	3	—	—	3
	74	—	—	74

Six-month period  
ended June 30

**2018**

	IFRS	SDB I and II (50%)	Eliminations	Combined
<b>Power production (GWh)</b>				
Wind power stations	1,314	283	—	1,597
NRWF compensation	70	—	—	70
	1,384	283	—	1,667
Hydroelectric power stations	359	—	—	359
Thermal power stations	119	—	—	119
Solar power stations	10	—	—	10
	1,872	283	—	2,155
<b>Revenues from energy sales and feed-in premium</b>				
Wind power stations	198	31	—	229
Hydroelectric power stations	28	—	—	28
Thermal power stations	19	—	—	19
Solar power stations	2	—	—	2
	247	31	—	278
<b>EBITDA(A)</b>				
Wind power stations	160	26	(6)	180
Hydroelectric power stations	20	—	—	20
Thermal power stations	5	—	—	5
Solar power stations	2	—	—	2
Corporate and eliminations	(26)	—	1	(25)
	161	26	(5)	182
<b>Additions to property, plant and equipment</b>				
Wind power stations	100	—	—	100
Hydroelectric power stations	7	—	—	7
Thermal power stations	1	—	—	1
Corporate	6	—	—	6
	114	—	—	114
		As at June 30, <b>2019</b>	As at December 31, <b>2018</b>	
<b>Total assets</b>				
Wind power stations		4,097	4,056	
Hydroelectric power stations		591	553	
Thermal power stations		33	37	
Solar power stations		38	38	
Corporate		24	62	
		4,783	4,746	
<b>Total liabilities</b>				
Wind power stations		2,834	2,807	
Hydroelectric power stations		269	237	
Thermal power stations		7	9	
Solar power stations		27	26	
Corporate		825	766	
		3,962	3,845	

## Information by geographic segment

Three-month period  
ended June 30

**2019**

	IFRS	Interests	Eliminations	Combined
<b>Power production (GWh)</b>				
Canada	385	258	—	643
NRWF compensation	73	—	—	73
	458	258	—	716
France	399	—	—	399
United States	152	—	—	152
	1,009	258	—	1,267
<b>Revenues from energy sales and feed-in premium</b>				
Canada	55	27	—	82
France	56	—	—	56
United States	10	—	—	10
	121	27	—	148
<b>EBITDA(A)</b>				
Canada	40	22	(2)	60
France	36	—	—	36
United States	7	—	—	7
	83	22	(2)	103
<b>Additions to property, plant and equipment</b>				
Canada	11	—	—	11
France	27	—	—	27
	38	—	—	38

Note 13. Segmented information (cont'd)

Three-month period  
ended June 30

**2018**

	IFRS	SDB I and II (50%)	Eliminations	Combined
<b>Power production (GWh)</b>				
Canada	391	134	—	525
NRWF compensation	28	—	—	28
	419	134	—	553
France	254	—	—	254
United States	102	—	—	102
	775	134	—	909
<b>Revenues from energy sales and feed-in premium</b>				
Canada	50	15	—	65
France	38	—	—	38
United States	7	—	—	7
	95	15	—	110
<b>EBITDA(A)</b>				
Canada	33	13	(2)	44
France	21	—	—	21
United States	4	—	—	4
Other <sup>(1)</sup>	(1)	—	—	(1)
	57	13	(2)	68
<b>Additions to property, plant and equipment</b>				
Canada	6	—	—	6
France	49	—	—	49
	55	—	—	55

<sup>(1)</sup> United Kingdom and Denmark.

Note 13. Segmented information (cont'd)

Six-month period  
ended June 30

**2019**

	IFRS	Interests	Eliminations	Combined
<b>Power production (GWh)</b>				
Canada	859	653	—	1,512
NRWF compensation	83	—	—	83
	942	653	—	1,595
France	1,065	—	—	1,065
United States	286	—	—	286
	2,293	653	—	2,946
<b>Revenues from energy sales and feed-in premium</b>				
Canada	125	69	—	194
France	149	—	—	149
United States	19	—	—	19
	293	69	—	362
<b>EBITDA(A)</b>				
Canada	107	59	(16)	150
France	94	—	—	94
United States	14	—	—	14
Other <sup>(1)</sup>	(1)	—	—	(1)
	214	59	(16)	257
<b>Additions to property, plant and equipment</b>				
Canada	22	—	—	22
France	52	—	—	52
	74	—	—	74

<sup>(1)</sup> United Kingdom and Denmark.

Note 13. Segmented information (cont'd)

Six-month period  
ended June 30

**2018**

	IFRS	SDB I and II (50%)	Eliminations	Combined
<b>Power production (GWh)</b>				
Canada	846	283	—	1,129
NRWF compensation	70	—	—	70
	916	283	—	1,199
France	735	—	—	735
United States	221	—	—	221
	1,872	283	—	2,155
<b>Revenues from energy sales and feed-in premium</b>				
Canada	122	31	—	153
France	110	—	—	110
United States	15	—	—	15
	247	31	—	278
<b>EBITDA(A)</b>				
Canada	89	26	(5)	110
France	65	—	—	65
United States	10	—	—	10
Other <sup>(1)</sup>	(3)	—	—	(3)
	161	26	(5)	182
<b>Additions to property, plant and equipment</b>				
Canada	18	—	—	18
France	96	—	—	96
	114	—	—	114

	As at June 30, <b>2019</b>	As at December 31, <b>2018</b>
<b>Total assets</b>		
Canada	2,429	2,376
France	2,127	2,174
United States	212	184
Other <sup>(1)</sup>	15	12
	4,783	4,746
<b>Non-current assets<sup>(2)</sup></b>		
Canada	2,044	2,002
France	1,892	1,879
United States	187	166
Other <sup>(1)</sup>	10	7
	4,133	4,054
<b>Total liabilities</b>		
Canada	2,359	2,211
France	1,486	1,543
United States	117	91
	3,962	3,845

<sup>(1)</sup> United Kingdom and Denmark.

<sup>(2)</sup> Excluding *Interests in the Joint Ventures and associates*.

## Note 14. Subsequent events

### Joint Ventures Phases I and II and Éoliennes Côte-de-Beaupré S.E.C.

As at June 30, 2019, a class action was in progress due to the alleged inconvenience (in particular noise, dust and vibrations) caused by the construction of the **Seigneurie de Beaupré** Wind Farms. The defendants (Seigneurie de Beaupré Wind Farms 2 and 3 GP, Seigneurie de Beaupré Wind Farm 4 GP and Éoliennes Côte-de-Beaupré S.E.C.) have always been and are still of the opinion, as supported by expert opinions, that the members of the group have not suffered any abnormal inconvenience resulting from the construction work. The matter was scheduled to be heard before the Superior Court of Québec in April 2019. However, an agreement in principle was reached between the parties at a settlement meeting in fall 2018 without any admission of liability. The hearing to approve the transaction took place on April 11, 2019 and the judgment was rendered on July 9, 2019 approving the agreement entered into between the parties in the amount of nearly \$2 million. The insurers covered the costs related to this agreement in July 2019.

### Canada – Contingency

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. Therefore, the Corporation has not recorded any provision in respect of this litigation. Moreover, in its defence, the Corporation has filed a counterclaim for over \$1 million. The legal process related to the counterclaim 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.

### France – Projects under construction

The Corporation has entered into construction contracts and a turbine purchase contract for many projects in France. The Corporation's net commitment under these contracts amounted to \$19 million (€13 million).

# General Information

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## ADDITIONAL INFORMATION MAY BE OBTAINED FROM:

**Public Affairs and Communications Department**  
Boralex Inc.  
Telephone: 514-985-1353  
Fax: 514-284-9895  
communications@boralex.com

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

## TRANSFERT AGENT AND REGISTRAR

**Computershare Investor Services Inc.**  
1500 Robert-Bourassa Boulevard, 7<sup>th</sup> floor  
Montréal (Québec)  
Canada H3A 3S8  
Telephone: 514-982-7555 | 1-800-564-6253  
www.centredesinvestisseurs.com/service

## SHAREHOLDER INFORMATION

The **Annual Meeting of Shareholders** was held on Thursday, May 8, 2019, at 11 a.m., at the following address:

**Maison Manuvie**  
900 de Maisonneuve Boulevard West, 8<sup>th</sup> floor  
Montréal, Québec  
Canada H3A 0A8  
Téléphone : 514-875-3040

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Pour obtenir une version française du rapport annuel, veuillez communiquer avec le Service des affaires publiques et communications.



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**boralex.com**

Our thanks to the employees who accepted to appear on the cover page:  
**Van Anh Dang Vu** (Kingsey Falls, Québec),  
**Myriam Savage** (Thetford Mines, Québec) and  
**Ernani Schnorenberger** (Lyon, France).