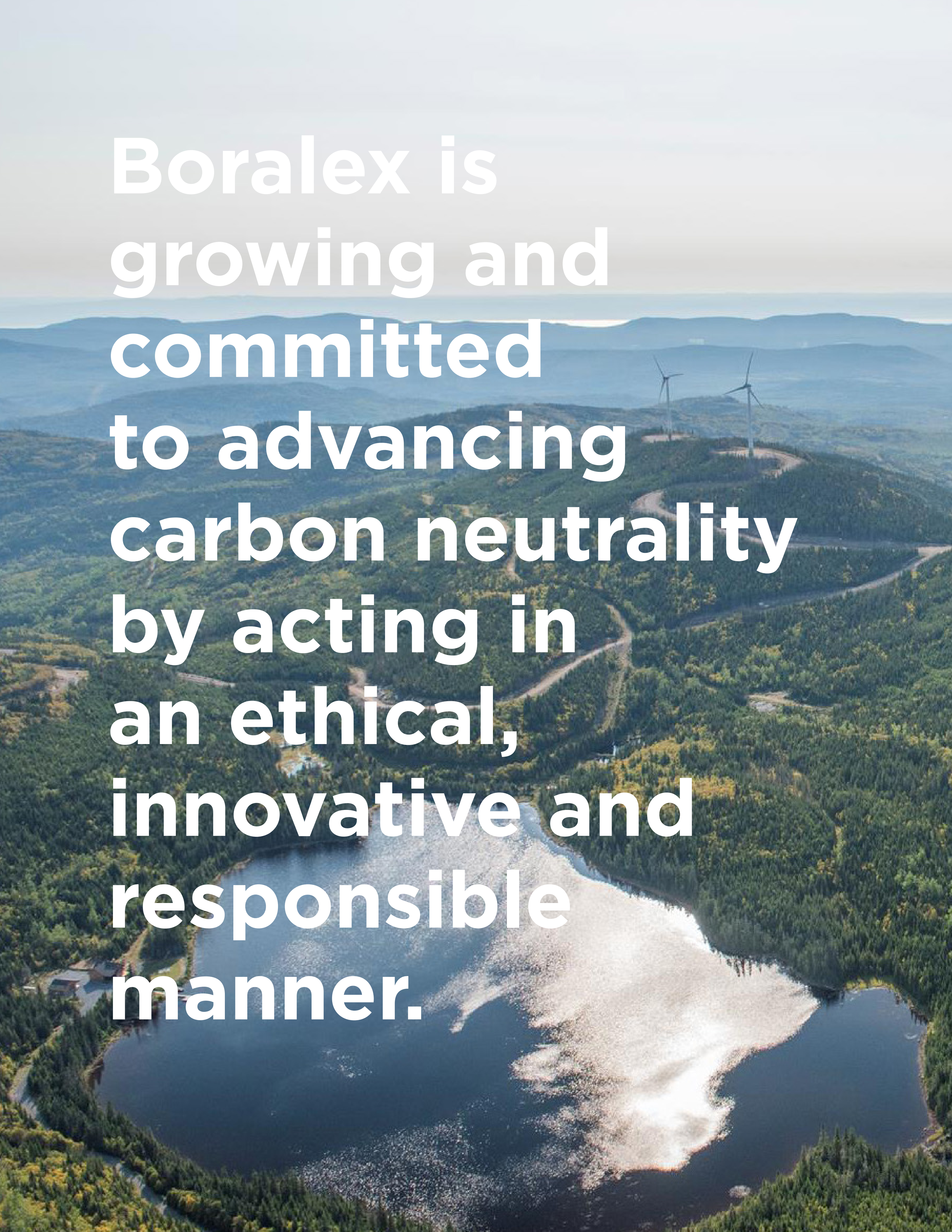
2020 Expansion in full swing

Positioning for sustainable growth

Annual Report



Boralex is growing and committed to advancing carbon neutrality by acting in an ethical, innovative and responsible manner.

What does positioning for sustainable growth mean?

Although eclipsed by the pandemic, the climate crisis remains unresolved. We must therefore leverage everyone's strengths to drive the essential global energy transition. Collaborating and contributing to the decarbonization of the world's economies and business activities is the only way forward. A leadership that Boralex, as a private producer of renewable energy, is able to exemplify with its partners with skill and passion. Because Boralex is, above all:

A team that believes in the need to accelerate the energy transition

The women and men who make up Boralex are dedicated to providing clean energy solutions to governments, businesses and communities, adapting its wind, solar, hydroelectric and storage projects to local communities, and maximizing economic benefits.

A socially responsible investment

Boralex has an ambitious strategic plan to grow, diversify, optimize, as well as expand its customer base to keep generating value for its shareholders. Its continued success and responsible management give it the means to pursue its ambitions, making it a high-potential investment.

An inclusive and collaborative culture

Fostering a creative, supportive and open work environment naturally promotes innovation. In addition, a sense of belonging and valuing differences make Boralex an ideal place for top talent to fulfill their potential and contribute to a greener, more sustainable future.

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An optimized organization to support market growth

In an unprecedented health crisis with countless human, social and economic effects, Boralex's teams continued to work tirelessly throughout 2020. As a result, the Company's financial results exceeded expectations and it strategically developed high-potential markets. Such a performance stemmed from our employees' consistency, professionalism and creativity. When we activated our crisis management plan in early March, everyone adapted quickly to the exceptional context brought on by COVID-19. I would like to extend my deepest thanks to them and their families for giving Boralex the means to excel once again this year.

A strong strategy, clear trajectory and successful transition

With an ambitious plan to grow its business and keep creating value for its stakeholders, Boralex continued to focus on its strategic directions toward 2023. We strengthened our balance sheet by refinancing assets and issuing stock to create the financial flexibility we needed to explore multiple opportunities and move forward on our growth and diversification objectives. Our financial and operational optimization initiatives bore fruit and expanded across our Corporation's services.

Patrick Decostre

Throughout 2020, we maintained a high rate of production and achievements, resulting from the efforts of all our teams helmed by Patrick Lemaire for most of the year. Patrick completed his mandate in the best way possible, by crossing major growth milestones. His entrepreneurial spirit, empathy and pride in being connected with all those who built Boralex by his side, and whose potential he has always supported, are no secret. Such an invaluable and illuminating legacy is rarely equalled. What's more, his continued presence on Boralex's Board of Directors will serve to further enrich this legacy.

Our positioning paid off

We are accelerating our growth in synch with market momentum. Successfully executing our strategy, developing an energy service offering to power-consuming companies like Auchan Retail France and Orange—a major pillar of our strategic plan—as well as acquiring controlling interests in seven Centaurus Renewable Energy solar plants in January 2021, notably in California, all bear witness to this. The U.S. market has significant potential and Boralex continues to invest and develop its assets there.

The regions where we focus our growth also reflect our commitment to be a key driver of the ongoing energy transition, in places where governments are intensifying their commitments to a more sustainable economic recovery. In 2020, Boralex's achievements and forward-looking initiatives were many, including strategic commissioning and acquisitions, winning bids, signing contracts and developing its business in target geographic markets.

Guided by a disciplined approach to risk management, we're thrilled by all our ongoing projects, whose terms and contract revenue percentages help give us a predictable cash flow and ensure that our talent, clients and investors fully understand our strategy. While 2020 was a year during which Boralex expanded its financial and operational strength and positioned itself favourably for sustained growth, 2021 will be a year of high hopes.

That's when we will launch our corporate social responsibility (CSR) approach—through which we intend to stand out further—and disclose our environmental, social and governance (ESG) performance criteria. During the new fiscal year, we also plan to deliver structuring projects and seize major opportunities in Canada, the United States and Europe by rolling out an aggressive business approach and identifying acquisition targets.

“The U.S. market has significant potential and Boralex continues to invest and develop its assets there.”

In 2021, we will also further our growth through one of the flagship projects on which Boralex's women and men have been working for over five years. More than a wind-power project, Apuiat is a major 200 MW project and a symbol of historic reconciliation, whose power purchase agreement was signed with Hydro-Québec. As an Innu partner, Boralex will play a key role in developing this renewable energy project, which features unique economic and social opportunities.

Development rooted in sustainability

We continue to work toward a green and equitable future in a rapidly changing energy market. More than ever, environmental imperatives and economic dynamics are converging, and renewable energy must undoubtedly play a vital role. As an agile, innovative, high-performing and responsible partner, Boralex is committed to help accelerate the energy transition by facilitating the more widespread use of clean technologies, which bodes well for a sustainable and green society.

Patrick Decostre
President and Chief Executive Officer

Patrick Lemaire

Bearing a vision

An entrepreneur's genuine contribution

In 2020, Patrick Lemaire successfully completed his term as President and Chief Executive Officer of Boralex, having worked hard throughout his tenure. His ability to provide clear and ambitious guidance to the Corporation, mobilize talent around a vision for green energy, and inspire action on a day-to-day basis, has contributed significantly to the evolution of Boralex's business model, while maintaining its agility.

A respected, people-focused leader, Patrick has ensured Boralex's sustainability and fostered its transformation into an innovative and transparent organization providing sustainable energy solutions to today's global challenges. Now in an enviable financial and operational position, the Corporation is successfully pursuing its growth and diversification objectives thanks to its inspired collaborators.

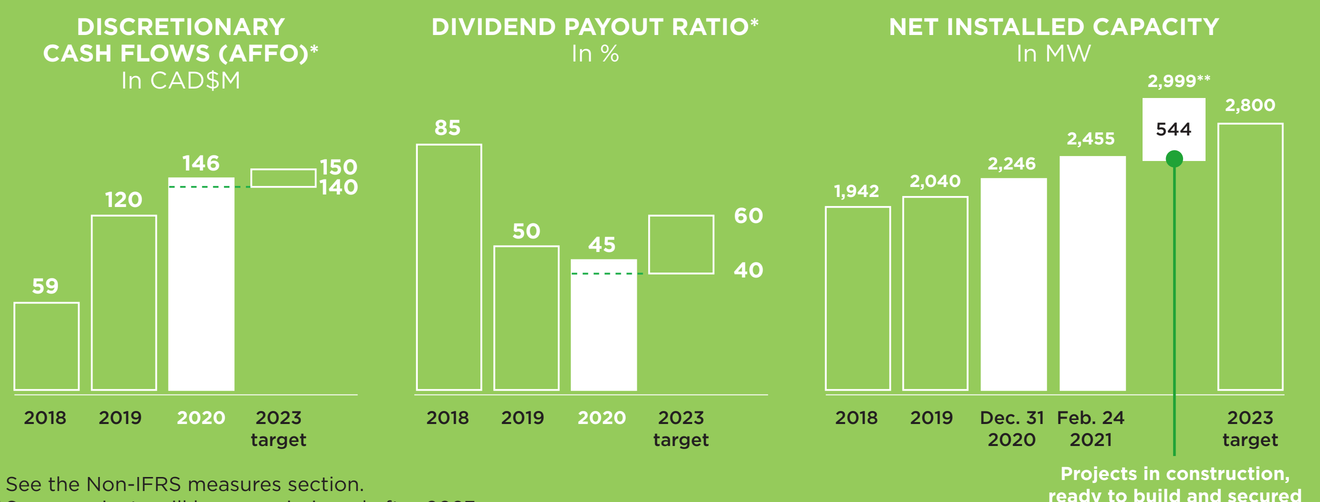
Renowned as one of the most influential players in the global wind industry, he surrounded himself with the right people and helped talent and leaders achieve their potential. Patrick will continue to act in Boralex's best interests as a member of the Board of Directors. We salute both the man and his legacy, and extend him our deepest thanks.

A respected, people-focused leader, Patrick has ensured Boralex's sustainability and fostered its transformation into an innovative and transparent organization providing sustainable energy solutions to today's global challenges.

Strong growth in financial results

The growth, diversification, optimization and customer expansion initiatives, which are an integral part of our strategic plan, have once again paid off this year, thanks to the rigour and speed of execution demonstrated by our employees. This performance, combined with favourable market conditions in all regions in which we operate, have led to strong growth in our results, thus helping us to position ourselves firmly towards our 2023 financial targets.

2023 Financial Objectives Update



* See the Non-IFRS measures section.
**Some projects will be commissioned after 2023

Highlights

For years ended December 31 (in millions of Canadian dollars, unless otherwise specified)	IFRS		Combined[1]	
	2020	2019	2020	2019
Power production (GWh)[2]	4,727	4,371	5,834	5,544
Revenues from energy sales and feed-in premium	619	564	738	687
EBITDA(A)[1]	434	402	513	492
Net earnings (loss)	61	(43)	56	(43)
Net earnings (loss) attributable to shareholders of Boralex	55	(39)	50	(39)
Per share (basic and diluted)	$0.55	($0.43)	$0.51	($0.43)
Net cash flows related to operating activities	362	294	399	303
Cash flows from operations[1]	338	310	378	327
As at December 31	2020	2019	2020	2019
Total assets	5,314	4,557	5,753	5,246
Debt[3]	3,516	3,067	3,870	3,660
Projects[4]	3,028	2,462	3,382	3,055
Corporate	488	605	488	605

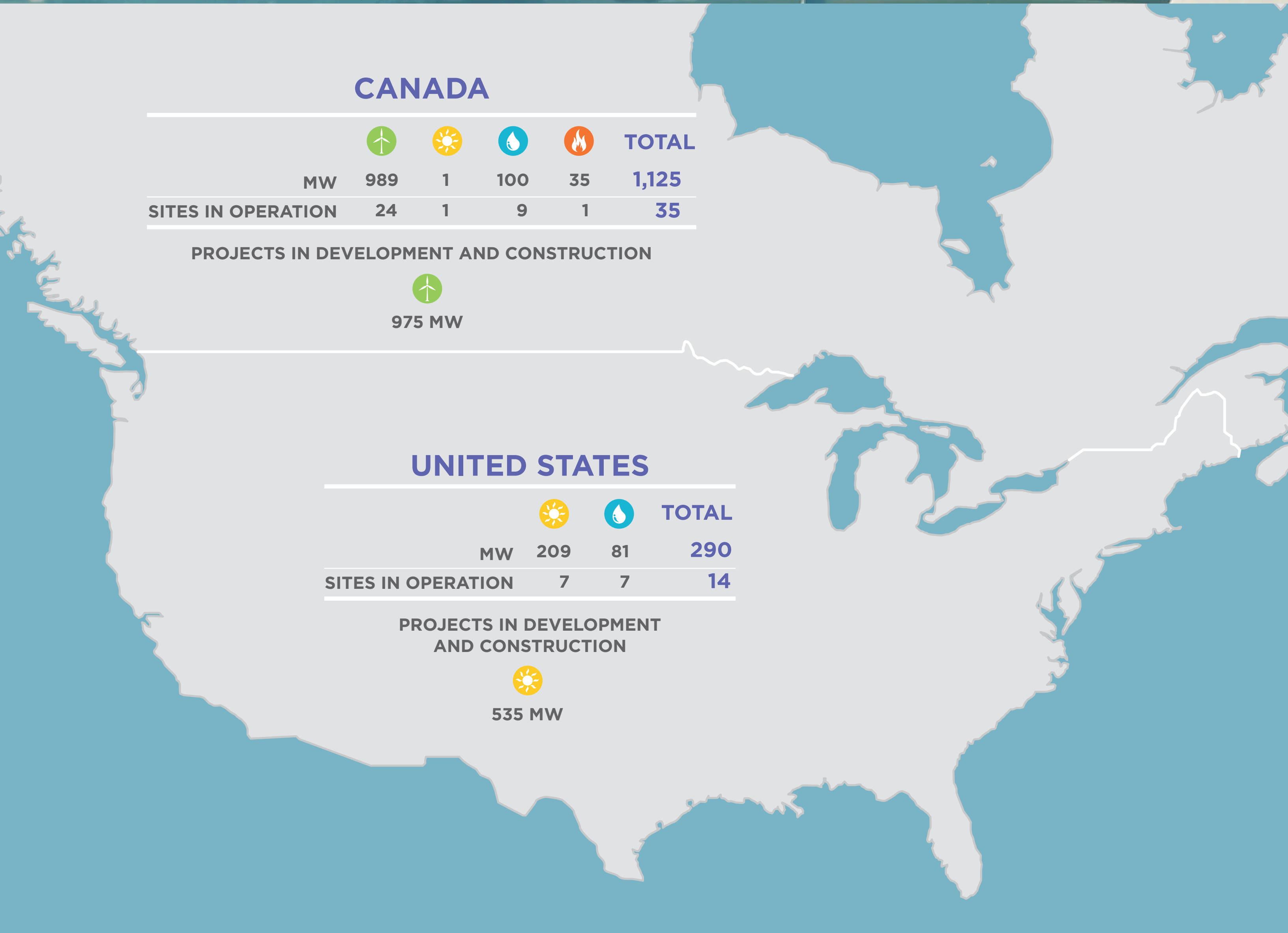
	Three-month periods ended December 31		Years ended December 31	
	2020	2019	2020	2019
Discretionary cash flows[1] - IFRS	67	68	146	120

(1) See the Non-IFRS measures section.
(2) Production level for which NRWF wind farm was compensated following power generation limitations imposed by the IESO was included in power production as management uses this measure to evaluate the Corporation's performance. This adjustment facilitates the correlation between power production and revenues from energy sales and feed-in premium.
(3) Includes current portion of debt and transaction costs, net of accumulated amortization.
(4) Project borrowings are normally amortized over the life of the energy contracts of the related facilities and are without recourse to Boralex.

Guided by social and environmental values, Boralex provides its customers with clean energy in the most competitive way possible. The Corporation generates profitable and sustainable growth, thereby creating and sharing value while respecting its stakeholders.

Active worldwide, with strong growth potential

As of February 24, 2021



CANADA

					TOTAL
MW	989	1	100	35	1,125
SITES IN OPERATION	24	1	9	1	35

PROJECTS IN DEVELOPMENT AND CONSTRUCTION

975 MW

UNITED STATES

			TOTAL
MW	209	81	290
SITES IN OPERATION	7	7	14

PROJECTS IN DEVELOPMENT AND CONSTRUCTION

535 MW

NUMBER OF EMPLOYEES

Canada	France	United States
282	220	25

527

As of December 31, 2020

TOTAL INSTALLED CAPACITY

2,455 MW

Wind	Solar
2,002 MW	225 MW

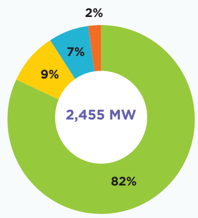
Hydro	Thermal
181 MW	47 MW

98% under contract with a weighted average duration of **13 years**

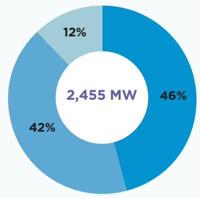
PROJECTS IN DEVELOPMENT AND CONSTRUCTION

3,046 MW

SEGMENT BREAKDOWN



GEOGRAPHIC BREAKDOWN



To know more about **our projects and sites**
https://www.boralex.com/our-projects-and-sites

SCOTLAND

PROJECTS IN DEVELOPMENT AND CONSTRUCTION

Wind	Solar
231 MW	30 MW

FRANCE

	Wind	Solar	Thermal	TOTAL
MW	1,013	15	12	1,040
SITES IN OPERATION	64	2	1	67

PROJECTS IN DEVELOPMENT AND CONSTRUCTION

Wind	Solar
1,054 MW	221 MW

An outstanding year

In 2020, we achieved unprecedented levels of development activities and strong financial performance, appointed a new President and CEO, and continued and optimized our operations with committed employees, all during a pandemic. Needless to say, it was an exceptional year in every respect.

2

CORPORATE POWER PURCHASE AGREEMENTS

orange™

In 2020, we signed a PPA (corporate power purchase agreement) with Auchan Retail France, through which the food company will locally consume, at its points of sale and warehouses, the green electricity produced by two wind farms owned and operated by Boralex in the Hauts-de-France region. This agreement strengthens the Corporation's position as a partner to companies who wish to use clean energies.

Auchan RETAIL

"Boralex will supply Orange France with 67 GWh/year of renewable electricity generated by the Ally-Mercoeur wind farm's 26 turbines. This corporate PPA illustrates the Corporation's competitiveness, quality management and industrial competence. It shows our ability to provide practical solutions to companies throughout their energy transition. This agreement—the first of its kind for Boralex—marks a significant step in deploying our strategic plan, for which the sale of green energy to companies is a major pillar."

Jean-Christophe Dall'Ava
Director, Energy Markets

8
SELECTED PROJECTS

Four solar projects with significant economic, social and environmental benefits totalling 180 MW were selected by the New York State Energy Research and Development Authority (NYSERDA) in a call for tenders, marking Boralex's entry into the US solar energy market.

With a total of 70 MW, four projects, including two solar and two wind projects, have been selected in a call for tenders by the Ministère de la Transition écologique et solidaire in France. This achievement confirms the competitiveness of projects developed by Boralex and the vitality of solar energy, a sector in which the Corporation has great ambitions in France and North America.

1
REFINANCING

In 2020, Boralex completed a $806 million refinancing of its 230 MW Niagara Region Wind Farm (NRWF) in Ontario, Canada, held in partnership with the Six Nations of the Grand River Indigenous community. This transaction, improving Boralex's financial flexibility, reflects its financial partners' confidence in the implementation of its strategic plan.

201
MILLIONS OF DOLLARS OF EQUITY FINANCING

This investment of 6.1 million of shares provided Boralex with greater financial flexibility to meet its growth targets. The Corporation used the investment's net proceeds to finance its portfolio of developing projects, as well as the two acquisitions announced in 2020.

2
ACQUISITIONS

In 2020, Boralex became the sole owner of three Quebec wind farms, with a total installed capacity of 296 MW, by acquiring the full 49% of equity interests held by the Caisse de dépôt et de placement du Québec (CDPQ). Located in the Avignon Regional County Municipality (RCM) in Gaspésie and the Appalaches RCM in Eastern Quebec, these sites benefit from long-term power purchase agreements with Hydro-Québec Distribution. This transaction strengthens the Corporation's position in Canada's wind industry and adds significant cash flow for the coming years.

This year, Boralex entered into agreements with Centaurus Renewable Energy to acquire their full majority equity interests in a portfolio of seven solar plants in the United States, specifically in California, Alabama and Indiana. With a gross installed capacity of 209 MWac*, these assets also benefit from long-term power purchase agreements and act as a springboard for these new energy markets.

*Transaction completed in January 2021

4
COMMISSIONING

The commercial commissioning of the Santerre wind farm, made up of seven wind turbines with total installed capacity of 15 MW and located in the Department of Somme, France, enables Boralex to continue to expand in the French market, in a context of green economic recovery, while showcasing its agility and ability to deliver its assets in unique circumstances.

Boralex ended its 30th anniversary year with the commercial commissioning of three other wind farms in France, with a total power output of 63 MW. The Blanches Fosses commissioning, the Seuil de Bapaume wind farm extension and the Cham Longe wind farm repowering enable the Corporation to exceed the 1 GW threshold of operating assets in France and bring Boralex's total worldwide power output to 2,455 MW**.

**As of February 24, 2021

Beyond renewable energy

We've implemented a strategy fostering corporate social responsibility (CSR) and environmental, social and governance (ESG) criteria this year, including 10 priority issues divided into three clear and distinct commitment pillars, to underscore our mandate for sustainable development and corporate responsability.

Based on criteria set by the Global Reporting Initiative (GRI) and incorporating ISO 26000 approach principles in terms of CSR, our strategy also aims to contribute to the UN Sustainable Development Goals (SDGs) and ensure our activities have a positive net impact. At the heart of our 2023 strategic plan, we see CSR as an extraordinary lever for development.

"Partnerships with First Nations are enabled by a shared vision of sustainability, environmental stewardship, mutual respect of our communities and trust. Consulting on traditional knowledge studies, creating innovative business structures, and a keen understanding of political landscapes make Boralex and many indigenous communities, natural partners."

Adam Rosso
Development Director,
Boralex

THREE COMMITMENT PILLARS

PILLAR 1	PILLAR 2	PILLAR 3
Leading Through Example	**Making Renewable Energy in a Sustainable and Resilient Manner**	**Respect our People, our Planet and our Community**
Diversity and Equal Opportunities	Responsible Resource Use	Biodiversity
Responsible Corporate Governance	Greenhouse Gas Emissions (scopes 1 and 2)*	Health and Safety
Ethics in Business and Behaviour	Responsible Procurement	Local Community Consultation and Engagement
	Adapting to Climate Change	

*Greenhouse Gas Protocol

Steadfast prosperity

Alain Rhéaume

In 2020, an unprecedented year marked by a global health crisis, Boralex achieved strong performance at the business, financial and human levels. The Corporation has once again shown how its adaptability enables it to keep growing year after year in a cost-effective and disciplined manner.

Supported by the Board of Directors, Boralex remained true to its strategic human capital management approach by reacting responsibly to the COVID-19 crisis. This led the Corporation to adapt its work processes and operations, thereby keeping its people reassured and safe, without compromising its vision and business model. Above all, it's the depth and quality of Boralex's teams that enabled it to sustain its performance level throughout 2020 and continue to grow and prosper in a constantly changing business environment.

Sustainably developing our business

In 2020, Boralex leveraged its remarkably solid financial position to increase the pace at which it deployed its strategic directions:

- Supported growth through targeted acquisitions with high profitability potential and expansion of its wind and solar project portfolio;
- Optimized financial, business and production operations to increase profitability;
- Achieved significant developments and breakthroughs in its target geographic markets, offered more technology products and solutions, and diversified its customer base, by doing business with large energy-buying companies through corporate power purchase agreements, while continuing to do business with major electricity distributors.

Succession assured

Boralex also had an opportunity to test its succession plan at the executive team level in 2020. As part of a rigorous process led by the Board, the position of President and Chief Executive Officer was filled in a natural and orderly manner when Patrick Lemaire retired after more than 14 years at the helm of the Company. He's a team player, an entrepreneur and a distinguished developer in the clean energy sector and Boralex in particular—a contribution for which the Corporation shall always be grateful—who will now sit on its Board of Directors. Along with our colleagues, he will support Patrick Decostre, a highly qualified leader who's ready to take Boralex further as a leading player in the energy transition process, while maintaining its entrepreneurial culture, business agility and team engagement.

Responsible and committed management

Now in its second year, the Investment and Risk Management Committee (IRMC) took the full measure of its governance mandate. The Board also kept improving the Corporation's global compensation policies, an integral part of a consistent approach to talent and performance management, enhanced the onboarding program for new Corporate Directors, including the addition of a mentorship component, and continued its efforts to renew the Board, with a constant focus on diversity and expertise.

> **"In 2020, Boralex increased the pace at which it deployed its strategic directions."**

CSR as a value creator

Lastly, Boralex wants to ensure its performance's sustainability and the recognition of the interests of all stakeholders involved in its operations. This is what the Corporation's corporate social responsibility (CSR) strategy is built on. Integrated into the implementation of the Company's strategic directions, the committment pillars it has chosen in this regard will be the subject of assiduous monitoring. The Nominating and Corporate Governance Committee will support the Board and guide management in developing and assessing Boralex's environmental, social and governance (ESG) performance to ensure that non-financial value creation aligns with shareholder returns.

This will enable Boralex to remain not only a leader in renewable energy, but also an inspiring organization that plays a key role in global decarbonization.

Alain Rhéaume

Chairman of the Board
Boralex Inc.

Accountability, communication and sustainable value creation

VALUE-ADDED GOVERNANCE

Among our key governance activities in 2020, the development and implementation of Boralex's Corporate Social Responsibility (CSR) strategy and Environmental, Social and Governance criteria (ESG), to be published in 2021 and overseen by the Nominating and Governance Committee, have taken on a growing importance in the Board's work.

Furthermore, we enhanced the Corporate Director onboarding program by adding a mentoring component, whereby new members have the opportunity to be guided by fellow Directors and attend all of the various committee meetings* over a 12-month period after joining the Board.

A contribution to the Corporation's competitiveness

As a key control tool, the Corporation completed its reporting process in 2020 through clear and effective communication, frequent follow-ups to the Board of Directors and a comprehensive "combined" report prepared quarterly by the President and CEO and the Vice-President and Chief Financial Officer. This report presents the quarter's key items, an update on the business environment, the strategic plan's status, financial and production highlights, as well as risk management aspects. The detailed and relevant information it includes and the upstream preparation it requires enhance the quality of subsequent discussions, foster open and productive dialogue, encourage collaboration and facilitate the decision-making process within the Board, which represents shareholders, and help them focus on key issues.

As the renewable energy industry enters a period of profound and rapid transformation, this rigorous and transparent governance approach, practised by committed and vigilant Corporate Directors, has become more important than ever and an additional competitive edge for the organization. The productive dynamic between Board members and company management also helps create long-term value.

A total of 45 Board and committee meetings were held in 2020.

*Committees

- Audit Committee
- Nominating and Corporate Governance Committee
- Human Resources Committee
- Environmental, Health and Safety Committee
- Investment and Risk Management Committee

STRENGTHENING THE COMPETITIVENESS OF OUR GLOBAL COMPENSATION OFFER

In 2020, we implemented a competitive and attractive global compensation practice for all Boralex employees to closely align corporate, team and individual objectives with the growth targets of Boralex's strategic plan. Creating value for its employees, business and shareholders has been the cornerstone of this important change. This redesign enabled Boralex to link compensation more closely to collective and individual performance, as well as better reflect its corporate culture, business strategy and human resources objectives.

Long-Term Incentive Program (LTIP) update

In 2020, the Board of Directors approved three important updates to Boralex's Long-Term Incentive Program (LTIP), consisting of the Performance Share Unit Plan (PSU) and the Stock Option Plan. These included an increase in the LTIP plans' annual allocations, both in terms of the number of participants and payout levels, an increase in minimum shareholder requirements, as well as its expansion to the management team.

These updates aim to:

- Provide competitive global compensation that drive performance;
- Strengthen the link between the compensation offered and our shareholders' interests;
- Promote teamwork and long-term commitment among key collaborators.

Boralex assigned the Stock Option Plan's administration to Computershare.

Boralex Short-Term Incentive Plan

"Boralex reviewed its Short-Term Incentive Plan this year to ensure each employee's performance and contribution had a direct impact on their compensation, as well as offer a fair and competitive increase aligned with the Corporation's strategic plan. This adjustment now enables us to better recognize our employees' contribution, motivate them, as well as attract new talent, while developing our employer brand."

Marie-Josée Arsenault
Vice President, Talent and Culture

Increased minimum shareholder requirements

The increase of minimum shareholder requirements, linked to the increase in annual allocations, is intended to:

- Encourage those eligible for the LTIP program to act and think like our shareholders;
- Foster teamwork and the drive to excel;
- Foster a sense of belonging and long-term commitment that provides an opportunity to build significant financial wealth.

This augmentation will align these requirements with the increase in long-term incentive levels and reflect the practices of our reference market.

This update to the Long-Term Incentive Program (LTIP) will contribute to Boralex's growth and long-term value creation, while enabling the Corporation to attract and retain top talent.

Committed and vigilant directors

Over the 2020 fiscal year, the Board of Directors supported Boralex's management in applying changes to executive compensation, rolling out the business continuity plan in the wake of COVID-19, appointing the new President and Chief Executive Officer and completing the transition, issuing $201 million in Class A shares, as well as implementing its strategic plan by:

- Signing power purchase agreements with new customers (Orange and Auchan);
- Approving projects;
- Refinancing the NRWF wind farm;
- Acquiring the Caisse de dépôt et placement du Québec's (CDPQ) interests in three wind farms;
- Acquiring interests in seven solar plants in the United States.

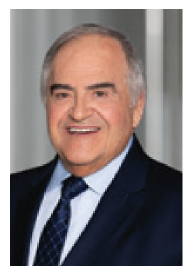
In 2020, there were a total of 14 meetings of the Board of Directors, six of the Audit Committee, six of the Nominating and Corporate Governance Committee, four of the Environmental, Health and Safety Committee, eight of the Human Resources Committee, and seven of the Investment and Risk Management Committee. The overall attendance rate by directors was 99%.

Alain Rhéaume
Chairman of the Board Boralex Inc.
Corporate Director

Patrick Decostre
President and Chief Executive Officer

Patrick Lemaire
Corporate Director

Lise Croteau (1) (5)
Corporate Director

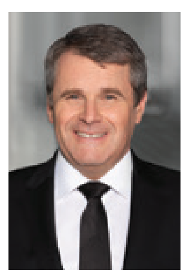


Yves Rheault (3) (5)
Corporate Director and Consultant

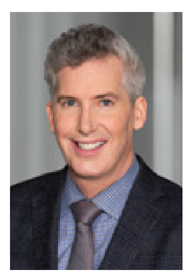
Marie Giguère (2) (3) (4)
Corporate Director

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

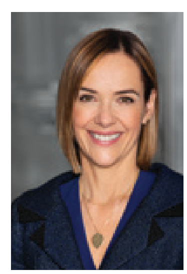
André Courville (1) (2) (3)
Corporate Director



Ghyslain Deschamps (4) (5)
Executive Vice President - Building EBC Inc.



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



Marie-Claude Dumas (3) (4) (5)
Global Director, Major Projects & Programs/ Executive Market Leader - Quebec, WSP Canada

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

Going even further together

PRINCIPLES THAT GUIDE US TO STRENGTHEN AN INNOVATIVE CULTURE

The Boralex Executive Committee has its “compass”—a management philosophy focused on openness, collaboration and results—principles that guide its actions, day in and day out, against a challenging backdrop. Strategic acuity, a shared vision and responsibility, risk prevention and management, transparency, and individual and team development are all leveraged in a positive mood to ensure the Corporation enjoys sustainable success and fosters its employees’ commitment.

EXECUTIVE COMMITTEE

Patrick Decostre
President and Chief Executive Officer

Bruno Guilmette
Vice President and Chief Financial Officer

Pascal Hurtubise
Vice President, Chief Legal Officer and Corporate Secretary

Marie-Josée Arsenault
Vice President, Talent and Culture

Julie Cusson
Vice President, Public and Corporate Affairs

Hugues Girardin
Vice President, Development

Nicolas Wolff
Vice President and General Manager Boralex, Europe

> “Boralex is one of the people-focused players in the energy transition.”
>
> **Pierre-Olivier Pineau**
> HEC Montréal’s Chair in Energy Sector Management

Our managerial cohesion: Harnessing the collective power of the team

Acting consistently, tactfully and attentively, listening to better understand, fostering participatory and proximity management, and helping the Corporation truly stand out. That’s what drives the Executive Committee, which aspires to make Boralex an exemplary business that will accelerate the energy transition, attract top talent and provide the best investment conditions. Executive Committee members are attentive to the need for an engaging strategic plan and committed to lead the Corporation to the global clean energy market’s top ranks.

Management's Discussion and Analysis

Myriam Savage
Wind Site Technician,
Des Moulins & Frampton

Management’s Discussion and Analysis

As at December 31, 2020

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Profile

Boralex Inc. (“Boralex” or the “Corporation”) 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 owner-operator 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 since 30 years.

Boralex’s shares are listed on the Toronto Stock Exchange under the ticker symbol BLX. As at December 31, 2020, the Caisse de dépôt et placement du Québec, one of Canada’s largest institutional investors, held 12.6% of Boralex’s outstanding shares.

Highlights

Three-month periods ended December 31

	IFRS		Combined[1]	
(in millions of Canadian dollars, unless otherwise specified)	2020	2019	2020	2019
Power production (GWh)[2]	1,468	1,364	1,763	1,677
Revenues from energy sales and feed-in premium	193	179	225	212
EBITDA(A)[1]	137	143	155	165
Net earnings (loss)	30	(23)	36	(15)
Net earnings (loss) attributable to shareholders of Boralex	25	(26)	31	(18)
Per share - basic and diluted	$0.24	($0.28)	$0.30	($0.19)
Net cash flows related to operating activities	59	58	81	52
Cash flows from operations[1]	101	119	118	116

Years ended December 31

	IFRS		Combined[1]	
(in millions of Canadian dollars, unless otherwise specified)	2020	2019	2020	2019
Power production (GWh)[2]	4,727	4,371	5,834	5,544
Revenues from energy sales and feed-in premium	619	564	738	687
EBITDA(A)[1]	434	402	513	492
Net earnings (loss)	61	(43)	56	(43)
Net earnings (loss) attributable to shareholders of Boralex	55	(39)	50	(39)
Per share - basic and diluted	$0.55	($0.43)	$0.51	($0.43)
Net cash flows related to operating activities	362	294	399	303
Cash flows from operations[1]	338	310	378	327
	As at Dec. 31	**As at Dec. 31**	**As at Dec. 31**	**As at Dec. 31**
Total assets	5,314	4,557	5,753	5,246
Debt[3]	3,516	3,067	3,870	3,660
Projects[4]	3,028	2,462	3,382	3,055
Corporate	488	605	488	605

	Three-month periods ended		Years ended	
	December 31,	December 31,	December 31,	December 31,
(in millions of Canadian dollars, unless otherwise specified)	2020	2019	2020	2019
Discretionary cash flows[1] - IFRS	67	68	146	120

(1) See the *Non-IFRS measures* section.
(2) Production level for which NRWF wind farm was compensated following power generation limitations imposed by the IESO was included in power production as management uses this measure to evaluate the Corporation’s performance. This adjustment facilitates the correlation between power production and revenues from energy sales and feed-in premium.
(3) Includes current portion of debt and transaction costs, net of accumulated amortization.
(4) Project borrowings are normally amortized over the life of the energy contracts of the related facilities and are without recourse to Boralex.

Abbreviations and definitions

In alphabetical order

Caisse	Caisse de dépôt et placement du Québec
CAGR	Compound annual growth rate
CRE	Centaurus Renewable Energy LLC
DC&P	Disclosure controls and procedures
DM I and II	Des Moulins Wind Power L.P.
EBITDA	Earnings before taxes, interest, depreciation and amortization
EBITDA(A)	Earnings before taxes, interest, depreciation and amortization adjusted to include other items
EDF	Électricité de France
FiP	Feed-in premium
GWh	Gigawatt-hour
HQ	Hydro-Québec
IASB	International Accounting Standards Board
ICFR	Internal control over financial reporting
IFRS	International Financial Reporting Standards
Interests	Interests in the Joint Ventures and associates
Invenergy	Invenergy Renewables LLC
LP I	Le Plateau Wind Power L.P.
LP II	Le Plateau Community Wind Power L.P.
LTM	Last twelve months
MW	Megawatt
MWac	Megawatt alternating current
MWdc	Megawatt direct current
MWh	Megawatt-hour
NRWF	Niagara Region Wind Farm
NYPA	New York Power Authority
NYSERDA	New York State Energy Research and Development Authority
Ontario ISO	The Independent Electricity System Operator of Ontario
RECs	Renewable Energy Certificates
RFP	Request for proposals
Roncevaux	Roncevaux Wind Power L.P.
SDB I	Seigneurie de Beaupré Wind Farms 2 and 3
SDB II	Seigneurie de Beaupré Wind Farms 4
Six Nations	Six Nations of the Grand River
SOP	Standing Offer Program
CAC 40	The CAC 40 (Cotation Assistée en Continu) is a free float market capitalization weighted index that reflects the performance of the 40 largest and most actively traded shares listed on Euronext Paris, and is the most widely used indicator of the Paris stock market.
Anticipated production	Historical averages for the oldest facilities adjusted for facility commissioning and planned shutdowns, productivity forecasts for the other facilities.

Introductory comments

General

This Management's Discussion and Analysis ("MD&A") reviews the operating results for the three-month period and fiscal year ended December 31, 2020, compared with the corresponding periods of 2019, the cash flows for the year ended December 31, 2020 compared with the year ended December 31, 2019, as well as the Corporation's financial position as at December 31, 2020 compared with December 31, 2019. This report should be read in conjunction with the audited consolidated financial statements and related notes found in this Annual Report for the fiscal year ended December 31, 2020.

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

In this MD&A, Boralex or the Corporation means, as applicable, either Boralex and its subsidiaries and divisions or Boralex or one of its subsidiaries or divisions. The information contained in this MD&A reflects all material events up to February 24, 2021, the date on which the Board of Directors approved this annual MD&A and the consolidated financial statements. Unless otherwise indicated, the financial information presented in this MD&A, including tabular amounts, is prepared in accordance with IFRS under Part I of the *CPA Canada Handbook*. The financial statements included in this MD&A have been prepared according to IFRS applicable to the preparation of financial statements, IAS 1, *Presentation of Financial Statements*, and contain comparative figures for 2019.

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

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

The information in this MD&A is presented as at December 31, 2020, with the exception of installed capacity and the number of sites are as of February 24, 2021.

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

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

	Closing rate(1)	
	As at December 31,	
Currency	2020	2019
USD	1.2725	1.2990
EUR	1.5545	1.4567
GBP	1.7422	1.7226

	Average rate(2)			
	Three-month periods ended December 31		Years ended December 31	
Currency	2020	2019	2020	2019
USD	1.3030	1.3200	1.3415	1.3269
EUR	1.5537	1.4615	1.5298	1.4856
GBP	1.7206	1.6994	1.7199	1.6945

(1) Source: Bloomberg
(2) Source: Bank of Canada - Average daily exchange rates

Notice concerning forward-looking statements

The purpose of this MD&A is to help the reader understand the nature and importance of changes and trends as well as the risks and uncertainties that may affect Boralex's operating results and financial position. Accordingly, some of the statements contained in this analysis, including those regarding future results and performance, are forward-looking statements based on current expectations, within the meaning of securities legislation. Positive or negative verbs such as "will," "would," "forecast," "anticipate," "expect," "plan," "project," "continue," "intend," "assess," "estimate" or "believe," or expressions such as "toward," "about," "approximately," "to be of the opinion," "potential" or similar words or the negative thereof or other comparable terminology, are used to identify such statements. They are based on Boralex management's expectations, estimates and assumptions as at February 24, 2021.

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

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

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

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

Description of business

Boralex is a Canadian corporation operating in the renewable energy segment. It draws on a workforce of 527 people to develop, build and operate power generating facilities in Canada, France, the United States and the United Kingdom. As at December 31, 2020, its asset base of net installed capacity comprised 2,246 MW. Since then, the Corporation added, through an acquisition, seven solar power stations with an installed capacity of 209 MW, bringing the Corporation's net installed capacity to 2,455 MW as at February 24, 2021. Projects under construction or ready-to-build represented an additional 64 MW, to be commissioned by the end of 2023, while the pipeline of secured projects amounted to 480 MW.

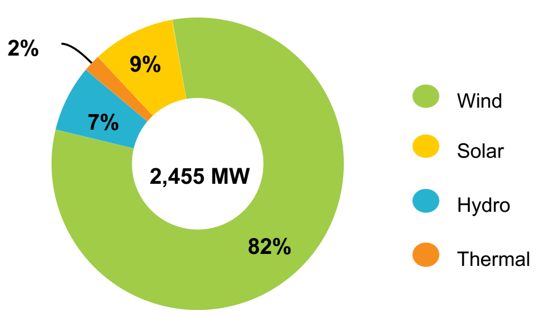
Segment and geographic breakdown

Boralex is active in four complementary power generation segments: wind, hydroelectric, thermal and solar. A major portion of Boralex's net installed capacity originates from the wind power segment, making it France's leading owner-operator of onshore wind power. The following table provides information about the makeup of the Corporation's energy portfolio in operation as at February 24, 2021.

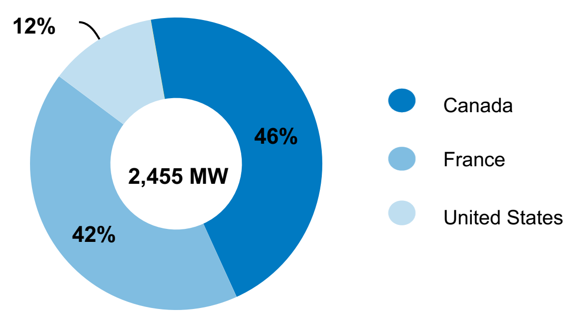
	Canada		France		United States		Total	
	Net installed capacity (MW)	Number of sites	Net installed capacity (MW)	Number of sites	Net installed capacity (MW)	Number of sites	Net installed capacity (MW)	Number of sites
Wind power stations*	989	24	1,013	64	—	—	2,002	88
Solar power stations	1	1	15	2	209	7	225	10
Hydroelectric power stations	100	9	—	—	81	7	181	16
Thermal power stations	35	1	12	1	—	—	47	2
	1,125	35	1,040	67	290	14	2,455	116

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

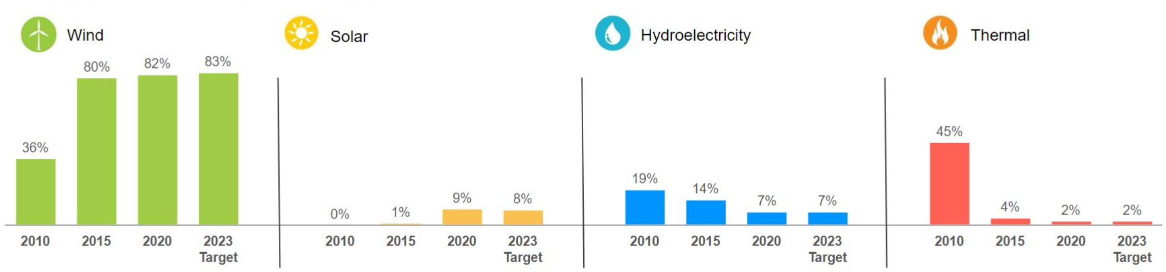
Segment breakdown



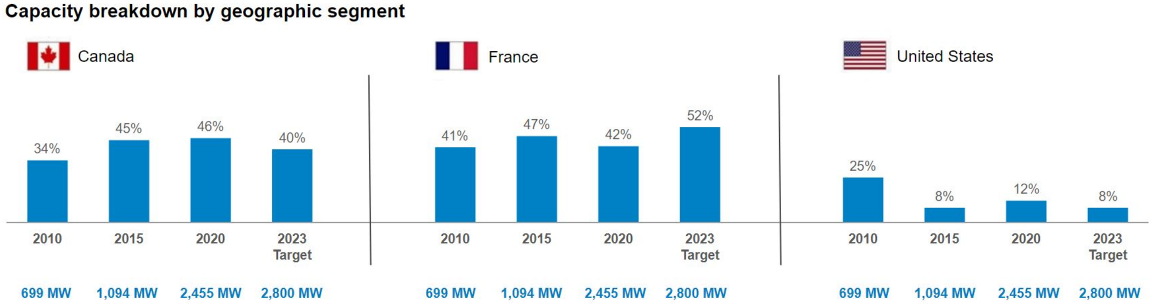
Geographic breakdown



Capacity breakdown by operating segment



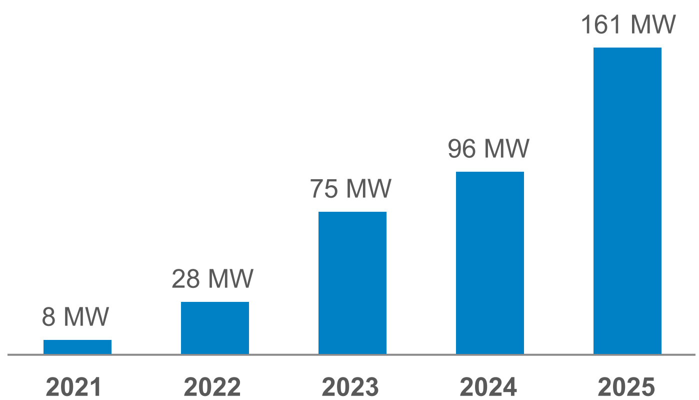
Capacity breakdown by geographic segment



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

Overall, **98%** of Boralex's net installed capacity is covered by long-term indexed, fixed-price energy sales contracts. These contracts have a weighted average remaining contractual term of **13 years**. The Corporation estimates that the equivalent of 111 MW (5% of net installed capacity or 3% of expected current production) covered by contracts expiring through December 2023, excluding *Growth path* projects for which contracts have been secured. If new contracts have not been negotiated beforehand, this production will then be sold at market prices. Under its strategic plan, Boralex anticipates entering into new agreements, either through the completion of capacity upgrade projects with long-term contracts or by negotiating power purchase agreements with electricity-consuming companies. The Corporation also expects to continue entering into long-term contracts for its projects under development.

Annual volume of contracts maturing by December 31, 2025



Corporate PPAs signed in France in 2020:

- **5-year term with Orange for 39 MW;**
- **3-year term with Auchan for 16 MW.**

BREAKDOWN BY STRATEGY

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

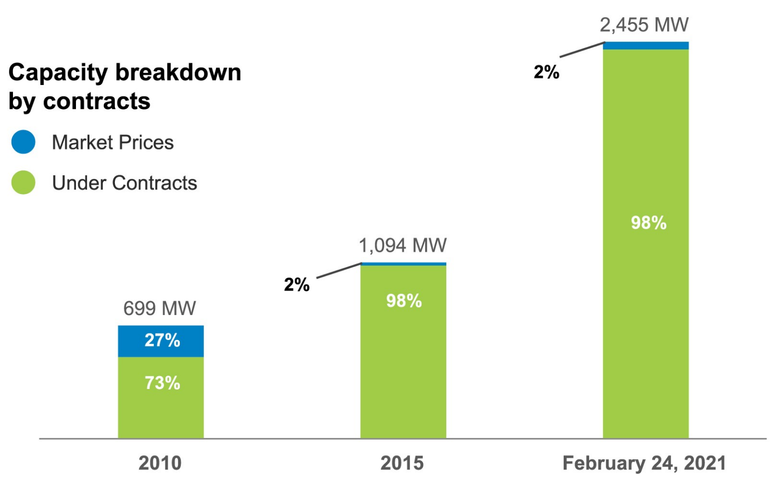
Net installed capacity

Boralex's net installed capacity increased from 1,094 MW as at December 31, 2015 to 2,455 MW[(1)] as at February 24, 2021, which represents annual compound growth of **17%** for this period of slightly more than five years. This growth has been achieved both organically and through acquisitions.

Net installed capacity

(in MW)

Compound annual growth rate: 17%



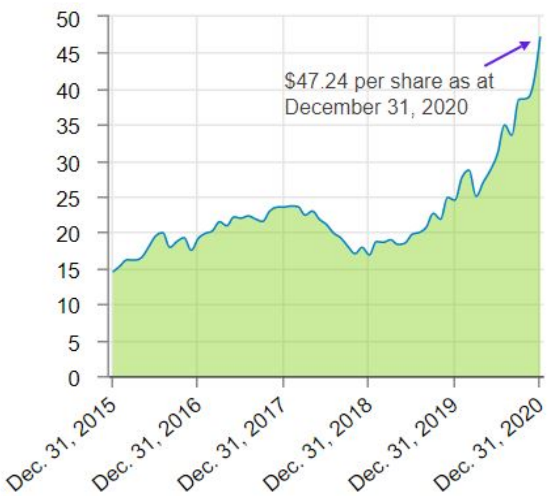
(1) The installed capacity in this MD&A reflects 100% of Boralex's subsidiaries in which Boralex is the controlling shareholder. It also reflects Boralex's share in entities over which it does not have control and which are accounted for using the equity method in this MD&A, consisting of 170 MW in the Joint Ventures operating the Seigneurie de Beaupré Wind Farms in Québec, representing 50% of a total installed capacity of 340 MW, plus 50 MW from interests in two wind farms in Québec, out of the total installed capacity of 95 MW. In November 2020, Boralex acquired the Caisse's interest in three facilities in which Boralex also held an interest in joint ventures. Since this acquisition, Boralex has control over these wind farms and consolidates the results of these subsidiaries.

Selected financial information: A growth company

Since December 31, 2015, Boralex's EBITDA(A) and market capitalization have grown at annual compound rates of 21% (19% on a Combined basis) and 37%, respectively. The share price increased at a compound annual rate of 26% over the same period while the amount of dividends paid increased from $27 million in 2015 to $66 million for the year ended December 31, 2020.

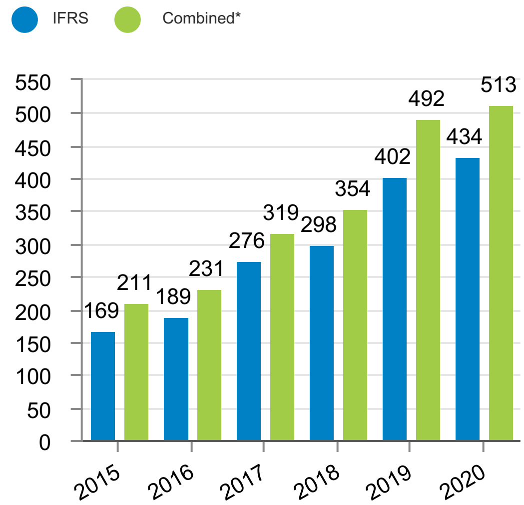
Share price

(Monthly closing price in Canadian dollars)
Compound annual growth rate: 26%
(Toronto Stock Exchange under the ticker BLX)



EBITDA(A)*

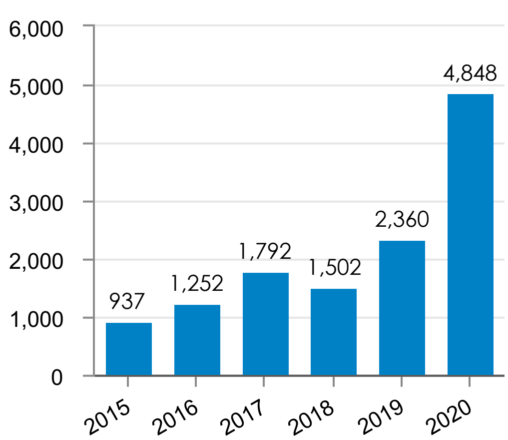
(in millions of Canadian dollars)
Compound annual growth rate: 21% (IFRS) and 19% (Combined)



* See the *Non-IFRS measures* section.

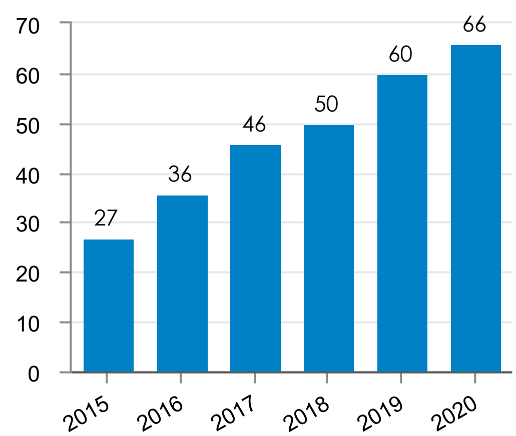
Market capitalization

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



Dividends paid

(in millions of Canadian dollars)



Overview of past three fiscal years

Selected annual information

Operating results data

(in millions of Canadian dollars, unless otherwise specified)	Years ended December 31, 2020	2019	2018
POWER PRODUCTION (GWh)[(1)]	4,727	4,371	3,568
REVENUES FROM ENERGY SALES AND FEED-IN PREMIUM	619	564	471
EBITDA(A)[(2)(3)]	434	402	298
NET EARNINGS (LOSS)[(2)]	61	(43)	(38)
NET EARNINGS (LOSS) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX[(2)]	55	(39)	(30)
NET EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX – BASIC AND DILUTED[(2)]	$0.55	($0.43)	($0.38)
NET CASH FLOWS RELATED TO OPERATING ACTIVITIES[(2)]	362	294	202
CASH FLOWS FROM OPERATIONS[(2)(3)]	338	310	192
DIVIDENDS PAID ON COMMON SHARES	66	60	50
DIVIDENDS PAID PER COMMON SHARE	$0.66	$0.66	$0.63
Weighted average number of shares outstanding – basic	98,547,826	90,604,799	80,102,038

Statement of financial position data

(in millions of Canadian dollars, unless otherwise specified)	As at December 31, 2020	As at December 31, 2019	As at December 31, 2018
Total cash, including restricted cash	277	168	253
Property, plant and equipment	3,112	2,715	2,918
Total assets[(2)]	5,314	4,557	4,764
Debt, including current portion of debt	3,516	3,067	3,271
Liability component of convertible debentures	—	—	140
Total liabilities[(2)]	4,323	3,682	3,857
Total equity	991	875	907
Net debt to market capitalization ratio[(3)] (%)	41%	56%	65%

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

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

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

Acquisitions and commissioning

The table below shows all of the wind farms, solar power stations and hydroelectric power stations acquired and commissioned by the Corporation over the past three fiscal years, for an additional installed capacity of 995 MW and a total net installed capacity of 2,455 MW as at February 24, 2021.

Project name	Total capacity (MW)	Dates of commissioning and acquisition by Boralex	Segment / Country	Energy contract term / Client	Ownership (%)
Kallista	163	June 20	Wind/France	15 years/EDF	Note(1)
DM I and II, LP I, LP II and Roncevaux	201	September 14	Wind/Canada	Note(2)	Note(3)
Inter Deux Bos	33	September 24	Wind/France	15 years/EDF	100
Noyers Bucamps	10	November 1	Wind/France	15 years/EDF/FiP	100
Hauts de Comble	20	November 5	Wind/France	15 years/EDF	100
Côteaux du Blaiseron	26	November 9	Wind/France	15 years/EDF	100
Le Pelon	10	January 1, 2019(4)	Wind/France	15 years/EDF/FiP	100
Sources de l'Ancre	23	January 1, 2019(4)	Wind/France	15 years/EDF/FiP	100
2018	**+ 486 MW**			Net installed capacity: **1,942 MW**	
Basse Thiérache Nord	20	February 1 and March 1	Wind/France	15 years/EDF/FiP	100
Yellow Falls	16	March 6(5)	Hydro/Canada	40 years/IESO	90
Moose Lake	15	April 4(6)	Wind/Canada	40 years/BC Hydro	Note(6)
Catésis	10	June 1	Wind/France	20 years/EDF/FiP	100
Buckingham(7)	10	October 17	Hydro/Canada	25 years/HQ	100
Seuil du Cambrésis	24	December 1	Wind/France	15 years/EDF/FiP	100
2019	**+ 95 MW**			Net installed capacity: **2,040 MW**	
Santerre	15	August 1	Wind/France	20 years/EDF/FiP	100
Blanches Fosses	11	November 1	Wind/France	20 years/EDF/FiP	100
LP I, DM I and II	145	December 1	Wind/Canada	Note(8)	Note(8)
Cham Longe I Repowering	17	December 1	Wind/France	20 years/EDF/FiP	100
Extension Seuil de Bapaume	17	December 1	Wind/France	20 years/EDF/FiP	100
2020	**+ 205 MW**			Net installed capacity: **2,246 MW(9)**	
Portfolio acquired from CRE	209	January 29, 2021	Solar/United States	Note(10)	Note(10)
February 24, 2021	**+ 209 MW**			Net installed capacity: **2,455 MW**	

(1) 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.
(2) These contracts had a weighted average remaining contractual term of 16 years as at the acquisition date.
(3) See the Interests in the *Joint Ventures and associates* note in the 2019 Annual Report.
(4) 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.
(5) Commercial commissioning was confirmed with the IESO on November 14, 2019. Boralex received retroactive compensation to make up for the difference between the contract price and the market price for electricity sold by the power station since it was commissioned on March 6, 2019.
(6) 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. In December 2020, Boralex acquired the 30% share of the minority shareholder and increased its interest in the wind farm to 100%.
(7) This 10 MW capacity increase will result in an additional $5 million in annual EBITDA for total pro forma EBITDA of $8 million for the project and installed capacity of 20 MW.
(8) Boralex now owns 100% of the shares of these three wind farms. The long-term power purchase agreements entered into with Hydro-Québec Distribution expire between 2032 and 2033 with a weighted average remaining term under contract of nearly 12.5 years as at the date of acquisition.
(9) Since the beginning of fiscal 2020, capacity increases totalling 2 MW have been made to existing French facilities while net capacity in the United States was reduced by 1 MW.
(10) The long-term power purchase agreements will expire between 2029 and 2046 with a weighted average remaining term of nearly 21.5 years as at the date of acquisition. Boralex has a controlling interest ranging from 50% to 100% in the seven solar power projects.

2021

In January 2021, the Corporation acquired CRE's majority interest in a portfolio of seven solar power stations in the United States, representing a net installed capacity of 209 MWac for the Corporation, for a consideration of $277 million.

2020

Acquisitions and commissioning

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

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

Change in accounting estimates

Management has reassessed the useful life of certain wind turbine components with concrete towers. As of October 1, 2020, the estimated useful life of most components was changed to 30 years. This change in amortization period reflects the Corporation's management's best estimate of the useful life of this type of wind turbine, which is supported by nearly 20 years' experience of operating wind farms as owner-operator, by the observed performance of various wind turbine models, as well as by Boralex's industrial expertise in wind farm asset maintenance and inspection. Also, independent expert reports were obtained and justify the new estimated useful life, based on current conditions of wind farms. This prospective change in accounting estimate resulted in a $2 million decrease in the amortization expense, and a negligible impact on the Share in earnings of the Joint Ventures and associates, giving rise to a $2 million increase in net earnings before income taxes for the fiscal year ended December 31, 2020.

Financing transactions

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

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

Results

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

2019

Commissioning

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

Change in accounting estimates

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

Financing transactions

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

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

Also in France, Boralex completed the financing for the **Santerre** wind farm pursuant to an amendment to the credit agreement for the Sainte-Christine portfolio. This was refinanced on November 25, 2019, as described below. The Corporation also came to an agreement regarding the refinancing of a debt totalling $60 million (€40 million) owed to Cube Hydro-Power SARL with a subsidiary of the Caisse, a shareholder of the Corporation.

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

In France, as part of its strategic direction for making optimal use of its financial resources, Boralex completed the most extensive refinancing of the renewable energy sector with three credit agreements maturing in 2034, 2036 and 2040, respectively, for a total amount of $1.7 billion.

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

Results

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

2018

Acquisitions and commissioning

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

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

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

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

Financing transactions

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

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

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

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

Dividend increase

In May, the dividend was increased from $0.60 to $0.63 per common share (from $0.1500 to $0.1575 per share on a quarterly basis) and subsequently to $0.66 per common share ($0.1650 per share on a quarterly basis) following the acquisition of Invenergy’s interests, representing a total increase of 10% for the fiscal year 2018.

Results

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

Growth strategy and development outlook

Strategic plan and financial objectives for 2023

In 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.

Boralex's strategic plan is based on a rigorous analysis of the market and trends in the renewable energy sector. The plan also reflects the view that a profound and rapid transformation of the industry is under way, driven mainly by numerous technological innovations. For instance, in France, as shown in the chart on the next page, government programs anticipate a substantial and sustained increase in the share of wind and solar power as energy sources over the next decade. This large increase in anticipated volume will be accompanied by a more competitive environment. Changes are also expected with the development of tendering procedures and negotiating energy sales contracts directly with electricity-consuming companies.

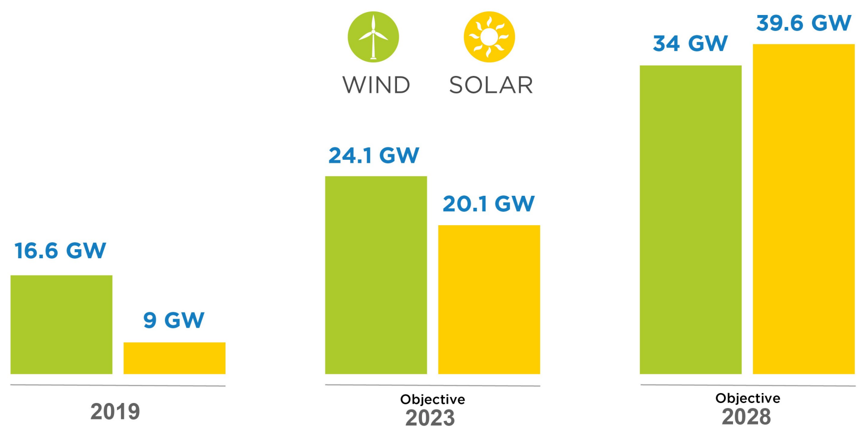
In the United States, the State of New York intends, in the medium term, to focus on developing solar power stations and at the same time, on deploying energy storage facilities. As of the date of publication of this report, governmental authorities in France and the State of New York have made green energy infrastructure development one of the cornerstones of their post-pandemic economic recovery and are strengthening their commitments toward their greenhouse gas (GHG) reduction targets. As in the case of Boralex, these authorities implemented a business continuity plan starting in early March. In France and North America, the economy opened gradually during the summer and various levels of government stated their intention to make renewable energy an important aspect of a recovery plan. However, in recent months, new project development activities were slowed down by the new health measures implemented to rein in the number of COVID-19 cases. Nonetheless, the Governor of the State of New York has repeatedly mentioned his desire to accelerate renewable energy sector development and to relax certain measures in order to achieve the targets. In 2019, the State of New York adopted the Climate Leadership and Community Protection Act (CLCPA), committing itself to cut GHG emissions by 85% by 2050. To do so, the state legislation raises the State of New York's clean energy standard to increase the proportion of energy renewable to 70% by 2030 and zero emissions by 2030. It also increases the State of New York's targets for developing offshore wind energy resources to 9,000 MW by 2035, distributed solar energy resources to 6,000 MW by 2035, and energy storage resources by 3,000 MW by 2030. In his 2021 State of the State speech, Governor of the State of New York Andrew Cuomo reiterated his commitment to deal with climate issues by proposing an orderly and equitable transition to clean energy that will create jobs and continue to support green economy development, as the State of New York recovers from the COVID-19 pandemic. Governor Cuomo also announced that the State of New York has launched a request for proposals for the development of new transportation facilities to deliver qualifying renewable energy to NYCA's Zone J. The State of New York is seeking to contract up to 1,500 MW, but this volume could be increased if justified by the proposals received.

In Canada, in December 2020, the federal government launched Canada's strengthened climate plan to protect the environment, create jobs and support communities. A number of more ambitious climate commitments announced should lead to a lower carbon economy, including a $15 annual increase in the price of a tonne of carbon to reach $170 per tonne by 2030. Additional investments of $964 million are to be made over the next four years to enhance grid modernization and greening. This includes support to increase production capacity from renewable energy sources, such as wind and solar, as well as energy storage. An additional amount of $300 million is planned to reduce dependence on diesel fuel for rural, remote communities and First Nations. Further investments of $287 million in 2020-2021 have been earmarked to continue the rebate program for zero-emission vehicles. With this climate plan, the Government of Canada has renewed its commitment to continue working with provinces, utilities and other partners to achieve its target of zero net carbon emissions from electricity generation by 2050. In Québec, in November 2020, the Minister of the Environment and the Fight against Climate Change announced his *Plan for a Green Economy* (PEV), which forecasts that Québec will reduce its GHG emissions by 37.5% compared to 1990 levels by 2030 and will become carbon neutral by 2050. Specific measures are provided for, mainly for the electrification of transportation, the most ambitious of which is to have 1.5 million electric vehicles on the roads in Québec by 2030 and zero sales of gasoline-powered vehicles starting in 2035. All the measures announced in the PEV will allow Québec to reach 42% of its target by 2030. An annual review will be presented and other measures will be identified each year. As for wind energy, the Québec government intends to support Québec companies so they can benefit from the opening of new markets resulting from higher global demand for wind energy. It's in this context that the Québec government set out its vision for wind energy development with the hope that wind farms built in Québec will be able to seize business opportunities and export all of their production to the North American markets.

In France, the results of recent RFPs were announced as scheduled. Boralex was awarded contracts for 43 MW in wind power projects and 21 MW in solar power projects during the first half of fiscal 2020. In the State of New York, the results of the September 2019 solar power RFP were announced in March 2020. Boralex was selected for all the projects for which it had submitted bids, for a total of 180 MW. The subsequent RFP, issued by NYSERDA, initially scheduled for the summer, was postponed to October 2020. Boralex submitted three projects totalling 140 MW under this RFP. The results were announced in January 2021 but Boralex's bids were not selected. The Corporation submitted the same three projects under the September 2020 RFP of the New York Power Authority (NYPA).

In January 2021, Boralex closed the acquisition of a majority interest in a portfolio of seven solar power stations in the United States with an installed capacity of 209 MWac. Most of these wind farms are located in the State of California, a market that Boralex believes has high development potential. The chart on the following page shows California's targets for the sale of renewable electricity and greenhouse gas emissions. It also shows the growth potential of the solar power and energy storage industry. As mentioned at the time this acquisition was announced, Boralex intends to continue development efforts in this market at the same level as in the State of New York market.

TARGETS OF FRENCH RENEWABLE ENERGY PROGRAM



- Around 1.85 GW/year of additional capacity for a 8% CAGR[1]
- Around 3 GW/year of additional capacity (2/3 ground-based solar and 1/3 solar buildings) for a 17% CAGR[1]
- Objective to surpass wind capacity in 2028

Source: "Programmation pluriannuelle de l'énergie"
[1]CAGR: Compound annual growth rate

NY STATE, US TARGETS

70% renewables by **2030**

Zero emission electrical grid by **2040**

Increase solar energy production capacity from **1.7 GW** in 2019 to **6 GW in 2025**

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

2020 ISSUE ORDER TO ACCELERATE THE TRANSITION

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

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

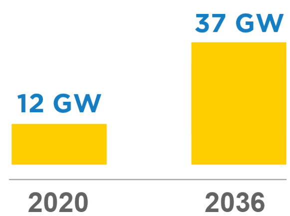
TARGETS OF CALIFORNIA STATE, US

60% of electricity sales from **renewable energy** by 2030

ZERO **emission** by the power sector by 2045

SOLAR ENERGY AND STORAGE MARKET POTENTIAL IN CALIFORNIA

SOLAR ENERGY CAPACITY



ENERGY STORAGE CAPACITY

The California Public Utilities Commission (CPUC) modelled the need for at least **10 GW of deployed energy storage over the next 10 years**

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

STRATEGIC DIRECTIONS

GROWTH in markets with promising renewable energy programs

DIVERSIFICATION into solar power and energy storage

NEW CUSTOMERS through corporate PPAs and other sources of revenues

OPTIMIZATION operational and financial

2023 FINANCIAL OBJECTIVES

40% TO 60% DIVIDEND PAYOUT RATIO

CSR OBJECTIVE : BEYOND RENEWABLE ENERGY

- Diversity and Equal Opportunities
- Responsible Corporate Governance
- Ethics in Business and Behaviour
- Responsible Resource Use
- Greenhouse Gas Emissions (scopes 1 and 2)
- Responsible Procurement
- Adapting to Climate Change
- Biodiversity
- Health and Safety
- Local Community Consultation and Engagement

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 primarily on predictable cash flows through long-term, indexed, fixed-price energy sales contracts with financially solid corporations (EDF, Hydro-Québec, Ontario ISO, NYISO and BC Hydro). These contracts do not contain a price adjustment or production clause for situations such as the COVID-19 epidemic. As at December 31, 2020, 98% of the Corporation’s net installed capacity was covered under long-term contracts with a weighted average remaining term of 13 years. The recent announcement of the relaunch of the 200 MW Apuiat wind power project is a telling example of the upturn in investment in the renewable energy sector in Québec. The State of New York has also made several announcements aimed at accelerating the energy transition in the State.

Amid the COVID-19 pandemic, Boralex remains focused on achieving its 2023 strategic directions and financial objectives and is closely monitoring acquisition opportunities that may arise in the current economic environment. Furthermore, following the acquisition of seven solar power stations in the United States in January 2021 and including the commissioning of sites under construction and secured projects to be included in the *Growth path*, the Corporation expects to surpass the 2,800 MW target once all these projects are commissioned.

In light of the solid execution of its strategic plan, recent acquisitions and taking into account recent changes in the renewable energy market environment including, among others, the announced and upcoming stimulus plans of various governments around the world, Boralex management is currently working on updating its strategic plan and expects to unveil it in summer 2021.

Lastly, significant efforts were made in recent quarters to formalize Boralex’s corporate social responsibility strategy and its position regarding ESG (Environmental, Social and Governance) criteria. The Corporation surveyed all of its stakeholders to assess how they perceived its positioning and the relative importance of the various corporate social responsibility issues. Boralex management has also decided to include the implementation of the strategy currently being prepared as part of its strategic objectives, along with the financial objectives. The key objective is to move beyond renewable energy and present the Corporation’s policies and achievements not only from an environmental perspective but also from a social and governance viewpoint, as Boralex has always aimed for a balanced approach in the management of its activities. A first report will be published along with, but separately from the Annual Report to mark the initial implementation of this new strategy.

Development outlook by strategic direction

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

Growth

As shown in the chart below, the Corporation has a portfolio of projects at various stages of development, according to clearly identified criteria. The portfolio of projects totalled 2,502 MW, down 203 MW from the previous quarter as projects advanced to the secured phase in the *Growth path* in recent months. The *Growth path* totalled 544 MW, up 266 MW from the previous quarter.

BREAKDOWN OF BORALEX DEVELOPMENT PROJECTS

PIPELINE

TOTAL
2,502 MW

EARLY STAGE

- Real estate secured
- Interconnection available
- Confirmation of the project by local communities and regulatory risks

	NORTH AMERICA	EUROPE	TOTAL BORALEX
	315 MW	315 MW	630 MW
	170 MW	99 MW	269 MW
TOTAL	485 MW	414 MW	899 MW

MID STAGE

- North America: Preliminary valuation and design to submit a bid under a request for proposals
- Europe: Preliminary design and request to obtain administrative authorizations

	NORTH AMERICA	EUROPE	TOTAL BORALEX
	560 MW	519 MW	1,079 MW
	-	118 MW	118 MW
TOTAL	560 MW	637 MW	1,197 MW

ADVANCED STAGE

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

	NORTH AMERICA	EUROPE	TOTAL BORALEX
	-	228 MW	228 MW
	165 MW	13 MW	178 MW
TOTAL	165 MW	241 MW	406 MW

TOTAL

	NORTH AMERICA	EUROPE	TOTAL BORALEX
	875 MW	1,062 MW	1,937 MW
	335 MW	230 MW	565 MW
TOTAL	1,210 MW	1,292 MW	2,502 MW

GROWTH PATH

TOTAL
544 MW

SECURED STAGE

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

	NORTH AMERICA	EUROPE	TOTAL BORALEX
	100 MW	180 MW	280 MW
	200 MW	-	200 MW
TOTAL	300 MW	180 MW	480 MW

UNDER CONSTRUCTION OR READY-TO-BUILD

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

	NORTH AMERICA	EUROPE	TOTAL BORALEX
	-	43 MW	43 MW
	-	21 MW	21 MW
TOTAL	-	64 MW	64 MW

TOTAL

	NORTH AMERICA	EUROPE	TOTAL BORALEX
	100 MW	223 MW	323 MW
	200 MW	21 MW	221 MW
TOTAL	300 MW	244 MW	544 MW

CURRENTLY IN OPERATION 2,455 MW
Updated as of February 24, 2021

The **wind** power segment remains the Corporation’s main driver of growth, with a project pipeline totalling 1,937 MW, down 170 MW from the previous quarter. The **solar** power segment pipeline comprises projects totalling the equivalent of 565 MW, down 33 MW from the previous quarter as four projects amounting to 180 MW were transferred to the secured projects phase. This segment offers high growth potential in Europe and North America, and Boralex has strengthened its workforce to accelerate its development, particularly in the State of New York in the United States where a new team was set up in 2019.

Europe

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

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

In France, the Corporation has the necessary strengths to capitalize on development opportunities when they arise due to its long-standing presence and in-depth market knowledge. It has a portfolio of **wind** power projects at varying stages of completion, equal to a capacity of about 1,062 MW, up 30 MW from the previous quarter. Building on these achievements, Boralex actively participates in the tendering process for the construction of wind farms in France. This process aims to award all feed-in premium contracts in tranches of 250 MW in July 2020 and 500 MW in November 2020. For the period from 2021 to 2024, two tranches of 925 MW each per year will be awarded under the process. Each contract will have a 20-year term as of commissioning. Following the wins under these RFPs since they were first launched, the Corporation is one of the top three companies with the largest number of MW awarded to date, strengthening its position as a leading owner-operator in the onshore wind power industry in France.

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

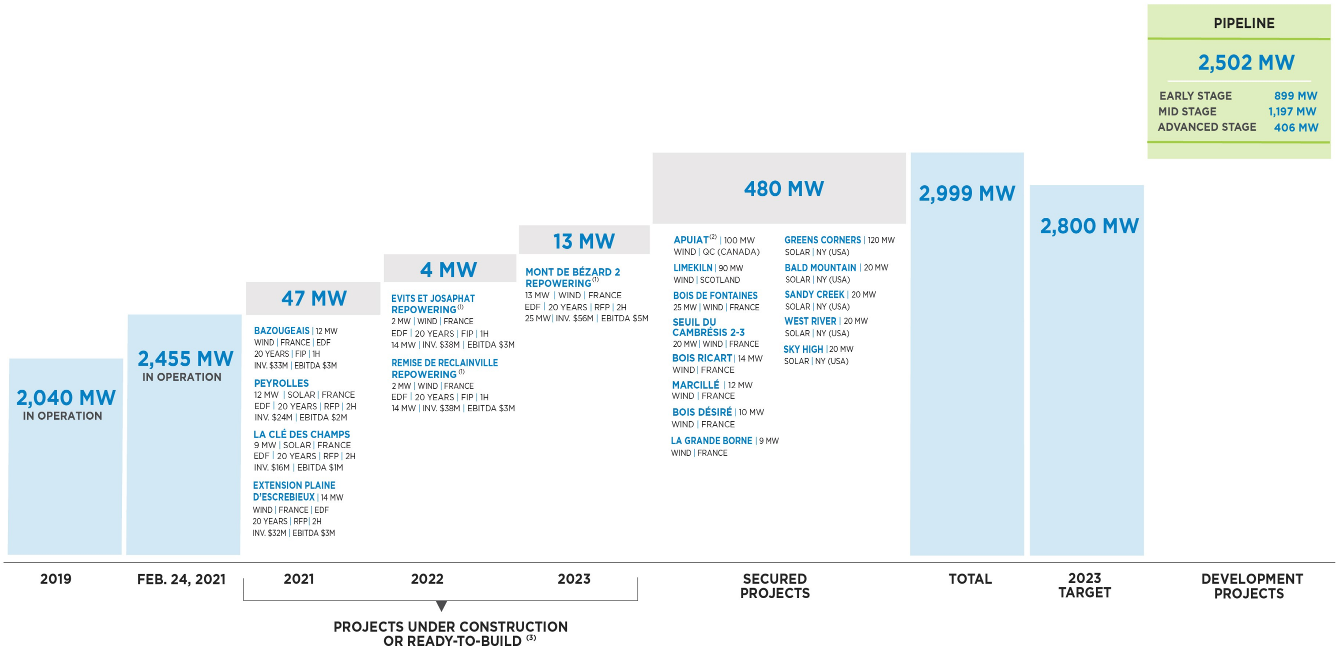
Boralex has a portfolio of **solar** power projects at varying stages of completion, with a capacity of about 230 MW (200 MW in France and 30 MW in Scotland), up 67 MW from the previous quarter in France. Details on the segment's development program are provided in the *Diversification* section of this report.

North America

Boralex’s portfolio of **wind** power projects in North America represents 875 MW, down 200 MW from the previous quarter. Most of these projects could quickly move through to the Corporation's development stages once renewable energy development programs in the target markets are reactivated. Note that many programs are on hold due to political changes in these markets in recent years. The COVID-19 crisis could, however, change this situation as governments announce their economic recovery plans.

The Corporation also has a portfolio of **solar** power projects totalling 335 MW, down 100 MW from the previous quarter as projects advanced to the secured projects phase in the Corporation’s *Growth path*. Details on the development program for this segment are provided in the *Diversification* section of this report.

Growth path



(1) The Evits et Josaphat repowering project represents a total capacity of 14 MW with an increase of 2 MW while the Remise de Reclainville repowering project represents a total capacity of 14 MW with an increase of 2 MW, and the Mont de Bézard 2 repowering project represents a total capacity of 25 MW with an increase of 13 MW.

(2) The project represents a total capacity of 200 MW. The Corporation is currently considering whether the project should be consolidated in its financial statements.

(3) The total project investment and the estimated annual EBITDA for projects in France have been translated into Canadian dollars at the closing rate on December 31, 2020.

As shown in the chart above, Boralex had assets in operation with 2,455 MW of net installed capacity as at February 24, 2021. This 388 MW increase compared with the previous quarter resulted primarily from the acquisition of the Caisse's entire 49% interest in three wind farms in Québec, namely **LP I**, **DM I** and **II**, in which Boralex already held 51% interests, representing an additional 145 MW of net installed capacity. The commissioning of the **Cham Longe I** and **Extension Seuil de Bapaume** wind farms in France in early December also contributed 34 MW to the increase. The Cham Longe I repowering project consisted in replacing the existing wind turbines with new wind turbines for a total capacity of 35 MW covered by a new long-term contract, which represents an increase of 17 MW over the current capacity, covered by a new long-term contract. Lastly, the acquisition of majority interests in a portfolio of seven solar power stations in the United States represented an increase of 209 MWac.

The total capacity in MW of *Projects under construction or ready-to-build* for the 2020-2023 period was down 34 MW during the quarter following project commissioning.

In France, five wind farms and two solar power stations are either under construction or have completed all preliminary stages and obtained pre-construction approvals. They are all subject to long-term feed-in premium contracts. These wind farms will contribute to the Corporation's results when commissioned in 2021, 2022 and 2023.

Note that three *Growth path* projects that are in the *Projects under construction or ready-to-build phase* aim to replace existing wind turbines with new equipment (repowering) for wind farms with energy sales contracts expiring over the next few years. These wind farms with 36 MW of installed capacity before repowering work will benefit from a 16 MW increase for a total of 52 MW after the work, covered by new 20-year energy sales contracts with EDF in France.

Overall, the contribution to EBITDA of *Projects under construction or ready-to-build phase* is estimated at $20 million, based on total expected production and adjusted using the Canadian dollar exchange rate at the end of the quarter. This amounts to an additional contribution to EBITDA of $11 million taking into account the EBITDA generated by the wind farms before the repowering work. The implementation of these projects is expected to require investments totalling about $237 million, financed by debts up to $190 million. As at December 31, 2020, the amounts already invested in these projects totalled over $62 million.

The MW of *Secured projects* was up 300 MW from the previous quarter following the signing of REC contracts for solar power projects totalling 180 MW in the United States, the acquisition of a 20 MW solar power project in the United States also with a REC contract, and the signing of a 30-year contract for the 200 MW Apuiat project, in which the Corporation has a 50% interest. Some projects will be commissioned after 2023.

Commissioning of secured facilities and projects under construction is expected to bring Boralex's net installed capacity to 2,999 MW, exceeding the 2023 target of 2,800 MW.

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

Growth

- Commissioning Acquisition of the Caisse's 49% interest in three wind farms in Québec representing a net installed capacity of 145 MW.
- Commissioning in France of the **Blanches Fosses** wind farm on November 1 and the **Cham Longe I** and the **Extension Seuil de Bapaume** wind farms on December 1, for a total installed capacity of 63 MW.
- Addition of secured solar power projects with the equivalent of 200 MW and a wind power project with the equivalent of 100 MW to the *Growth path*.
- Acquisition of the 30% minority interest in the **Moose Lake** wind farm in Canada.

Diversification

Initially, the Corporation is focusing its business diversification efforts on its **solar** power segment. Projects considered to be part of Diversification represent a potential additional capacity of 565 MW.

Europe

France is a potential market totalling 11,100 MW for the development of solar power stations by 2023 according to the information provided in the *Strategic plan and financial objectives for 2023* section of this report. Since the beginning of fiscal 2020, Boralex accelerated the development of this segment's initiatives in France by competing in RFPs. This process involves the award of feed-in premium contracts, consisting of two 925 MW tranches per year between 2021 and 2024, two thirds of which represent ground mounted projects, which is the market targeted by Boralex.

On April 2, 2020, Boralex announced that two solar power projects totalling 21 MW had been selected under an RFP for the construction and operation of solar power generation facilities through ground mounted power stations. These projects are now in the *Construction or ready-to-build* stage, with commissioning scheduled for 2021. The Corporation is also active in developing new solar power projects, both ground-based and floating, to be added to its pipeline as well as in prospecting for acquisitions in the sector. Lastly, the Corporation is considering testing the development of a solar power project based on agrivoltaics, that is, co-developing the same land for both solar power generation and agriculture.

North America

In North America, as a first step, Boralex is targeting the State of New York market which represents a potential of some 4,300 MW by 2025. It has deployed resources to develop the niche of small- and medium-sized facilities, an area that requires special expertise and where competition is less targeted. The Corporation has also opened an office in New York City and hired some ten highly qualified local employees. They will be supported by the team members in place in Canada since a number of years who were tasked with responsibilities and priorities related to the development of the State of New York market.

Since the announcement of the strategic plan, the Corporation's portfolio of projects increased from 200 MW in June 2019 to 335 MW as at December 31, 2020.

On March 13, 2020, Boralex announced that the four solar power projects it had submitted were selected by NYSERDA under its 2019 RFP launched under the "Renewable Energy Standard" for the purchase of Tier-1 renewable energy credits ("Environmental Credits"). The selection of these projects totalling 180 MW initiated a process whereby Boralex and NYSERDA finalized agreements to purchase the Environmental Credits associated with the energy generated by each project. These contracts were signed in January 2021, allowing for these projects to be added to the secured phase in the Corporation's *Growth path*. A new contract formula (indexed RECs) has been used in recent RFPs. Boralex is currently in talks to apply this new contract to the projects selected under the 2019 RFP. Boralex has also submitted bids for three projects totalling 140 MW under NYSERDA's October RFP and under the NYPA's RFP in September 2020. The RFP results were announced by NYSERDA in January 2021 but Boralex's bids were not selected. The results of the NYPA's RFP have not yet been announced.

Lastly, in January 2021, the Corporation acquired all of the majority interests held by Centaurus Renewable Energy LLC in seven solar power stations in the United States for a cash consideration of $277 million. The solar power stations in operation, totalling a gross installed capacity of 209 MWac, are located in California, Alabama and Indiana. They are covered by long-term power purchase agreements that will expire between 2029 and 2046 with a weighted average remaining term of nearly 21.5 years as at the date of acquisition. This acquisition marks Boralex's entry into the California, Alabama and Indiana markets and will serve as a launching pad to our involvement in these regional energy markets, particularly in California where Boralex sees more development potential that can be tapped into, among others, with the resources deployed for the assets covered by the transaction. These high quality assets are covered by purchase contracts and are perfectly aligned with the growth and diversification orientations of Boralex's strategic plan.

Energy storage

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

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

Since the beginning of fiscal 2020, Boralex commissioned its first electricity storage asset with an installed capacity of 2 MW at one of its existing wind farms in France. Boralex continued its research into storage projects during the fourth quarter.

The boxed information below provides the *Diversification* highlights.

Diversification

- Signing of long-term contracts (RECs) for four solar power projects totalling 180 MW, selected in the State of New York in the United States.
- Acquisition of the 20 MW Sky High solar power project in the secured phase.
- In 2021, acquisition of interests in seven solar power projects in the United States with an installed capacity of 209 MWac that will serve as a launching pad for Boralex's expansion into the energy markets of California, Alabama and Indiana.

Customers

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

Note that Boralex had announced two energy sales contracts with major French companies in the first and second quarters. These three-year and five-year contracts effective January 1, 2021 were entered into with the Orange and Auchan groups for three existing wind farms of 51 MW, whose contracts with EDF were coming to an end.

The signing of these contracts is a testament to Boralex's production quality and industrial expertise in asset maintenance, which have extended the useful life of assets beyond the initial long-term purchase obligation terms.

The boxed information below provides the *Customers* highlights.

Customers

- Signing of three- and five-year contracts effective January 1, 2021 with the Orange and Auchan groups for three existing wind farms of 51 MW, whose contracts with EDF were coming to an end.

Optimization

This strategic direction has two main components:

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

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

In particular, this resulted in the repowering project at the **Cham Longe I** wind farm in France. The use of more high-performance equipment enables a substantial increase in installed capacity and is expected to result in an additional contribution to annual EBITDA and a new 20-year contract.

Construction on three other repowering projects will begin. Preparatory work is underway for the **Evits et Josaphat** and **Remise de Reclainville** wind farms. The first two wind farms will have an installed capacity of 14 MW following repowering work, representing a 2 MW increase in capacity, while the **Mont de Bézard 2** wind farm will increase its capacity by 13 MW to 25 MW. The wind farms will benefit from more high-performance equipment and new 20-year contracts.

Boralex intends to take over and perform service and maintenance work in-house for assets in several wind farms in Canada, currently under external maintenance contracts. During the second quarter, the Corporation took the necessary measures to repatriate maintenance work in-house as early as the end of fiscal 2020 in respect of assets with a total installed capacity of 272 MW (136 MW net) in Canada. In Europe, Boralex took charge of the maintenance for wind farms totaling 67 MW. New service and maintenance contracts for optimizing production as well as operating and maintenance costs at wind farms totaling 73 MW in France were also signed.

On August 7, 2020, Boralex concluded an $806 million refinancing over 16 years for its 230 MW **Niagara Region Wind Farm** (NRWF) located in the Niagara Peninsula, Ontario, Canada. NRWF was commissioned on November 2, 2016 and is held in partnership with the Six Nations of the Grand River Indigenous community. Boralex is the wind farm operator and owns a 50% interest in the project. This refinancing will improve the overall performance of this asset, benefiting both Boralex and our partner, the Six Nations of the Grand River. Capitalizing on very favourable market conditions, with this refinancing, Boralex was able to reduce the borrowing rate for NRWF and generate cash flows of $72 million, which were used to reduce Boralex's credit facility. The combined effect of the lower borrowing rate and related expenses, plus the lower interest expense on the corporate credit facility will generate annual recurring savings of more than $5 million in interest expense. This is Boralex's third major refinancing in less than a year. With these refinancing totaling $2.7 billion under favourable conditions, Boralex has greatly improved its financial flexibility by reducing its corporate credit facility by over $260 million and generated total annual recurring savings of $22 million.

The boxed information below provides *Optimization* highlights.

Optimization

- $806 million refinancing for the 230 MW **NRWF** in Ontario, Canada. Expected annual savings of over $5 million.
- Commissioning of the **Cham Longe I** wind farm in France. Installed capacity of 35 MW and a new 20-year contract.
- Progress made on the preparatory work for repowering the **Evits et Josaphat** and **Remise de Reclainville** wind farms.
- Optimization of service and maintenance for wind farms totalling 412 MW (276 MW net) of installed capacity in Canada and France.

Financial objectives - current status

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

1. Discretionary cash flows

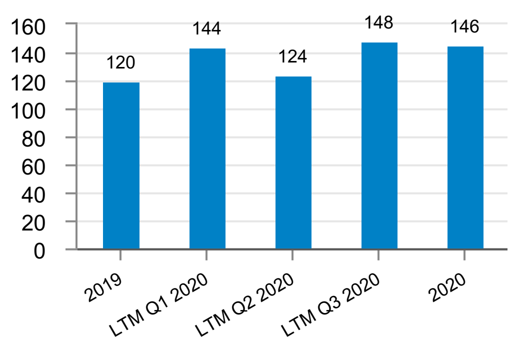
Fiscal 2020 generated $146 million in discretionary cash flows compared with $120 million in fiscal 2019.

Most of this $26 million increase was attributable to the growth in EBITDA(A), excluding non-cash items in net earnings such as the share in earnings of the joint ventures, stemming from higher production of Canadian wind farms and hydroelectric power stations in fiscal 2020 compared with fiscal 2019.

It is important to remember that during the first quarter of 2020, the discretionary cash flows were bolstered by wind production well above the expected production in France.

Discretionary cash flows*

(in millions of Canadian dollars)



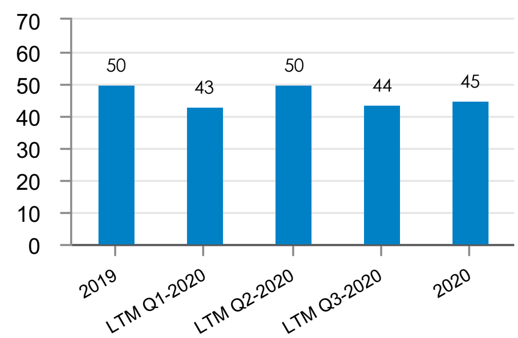
* See the *Non-IFRS measures* section.

2. Dividends

The dividends paid to shareholders during fiscal 2020 represented a payout ratio of 45%, which falls within the target payout ratio range of 40% to 60% set in the Corporation's financial objectives for 2023.

Dividend payout ratio*

(as a %)



* See the *Non-IFRS measures* section.

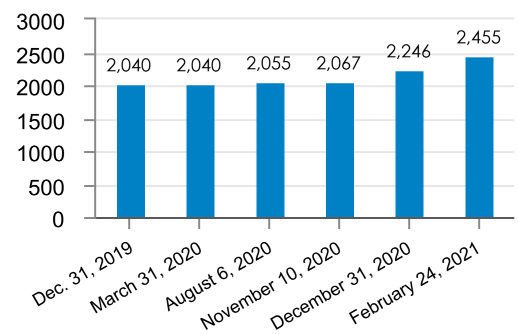
3. Net installed capacity

As at February 24, 2021, Boralex's net installed capacity amounted to 2,455 MW, up 388 MW from the end of the third quarter of 2020.

In addition, the Corporation reported an additional net installed capacity of 415 MW year-over-year, as a result of acquisitions and assets commissioned in 2019 and since the beginning of fiscal 2020, in addition to recently completed acquisitions.

Net installed capacity

(in MW)



Financial highlights

	Three-month periods ended December 31				Years ended December 31			
	2020	2019	Change		2020	2019	Change	
(in millions of Canadian dollars, unless otherwise specified)			$	%			$	%
POWER PRODUCTION (GWh)								
Wind power stations	1,152	1,038	114	11	3,613	3,259	354	11
NRWF compensation	76	64	12	19	181	175	6	3
	1,228	1,102	126	11	3,794	3,434	360	10
Hydroelectric power stations	186	211	(25)	(12)	746	756	(10)	(1)
Thermal power stations	51	48	3	6	166	158	8	5
Solar power stations	3	3	—	—	21	23	(2)	(6)
	1,468	1,364	104	8	4,727	4,371	356	8
REVENUES FROM ENERGY SALES AND FEED-IN PREMIUM								
Wind power stations	170	149	21	13	526	471	55	11
Hydroelectric power stations	15	22	(7)	(31)	63	60	3	4
Thermal power stations	8	7	1	13	25	28	(3)	(6)
Solar power stations	—	1	(1)	—	5	5	—	(2)
	193	179	14	8	619	564	55	10
EBITDA(A)(1)								
Wind power stations	155	145	10	6	464	412	52	12
Hydroelectric power stations	10	17	(7)	(41)	45	44	1	3
Thermal power stations	—	1	(1)	(62)	2	7	(5)	(64)
Solar power stations	1	1	—	(11)	3	4	(1)	(43)
	166	164	2	1	514	467	47	10
Corporate and eliminations	(29)	(21)	(8)	(34)	(80)	(65)	(15)	(23)
	137	143	(6)	(4)	434	402	32	8
NET EARNINGS (LOSS)	30	(23)	53	>100	61	(43)	104	>100
NET EARNINGS (LOSS) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX	25	(26)	51	>100	55	(39)	94	>100
NET EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX – BASIC AND DILUTED	$0.24	($0.28)	$0.52	>100	$0.55	($0.43)	$0.98	>100
NET CASH FLOWS RELATED TO OPERATING ACTIVITIES	59	58	1	1	362	294	68	23
CASH FLOWS FROM OPERATIONS(1)	101	119	(18)	(16)	338	310	28	9
DIVIDENDS PAID ON COMMON SHARES	17	16	1	6	66	60	6	9
DIVIDENDS PAID PER COMMON SHARE	$0.165	$0.165			$0.660	$0.660		
Weighted average number of shares outstanding – basic	102,570,801	94,684,834			98,547,826	90,604,799		

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

Analysis of consolidated operating results for the three-month period ended December 31, 2020

Revenues from energy sales and feed-in premium up 8%, driven mainly by the expansion of the Corporation's operating base.

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

Total power production

(GWh)	Q4 2020				Q4 2019				Change	
	Canada	France	United States	Total	Canada	France	United States	Total	In GWh	%
Wind										
Comparable assets[1]	424	664	—	1,088	384	691	—	1,075	13	1
Acquisition - LP I, DM I and II	89	—	—	89	—	—	—	—	89	—
Commissioning[2]	—	46	—	46	—	10	—	10	36	>100
Temporary shutdown - Cham Longe I	—	5	—	5	—	17	—	17	(12)	(70)
Wind - total	513	715	—	1,228	384	718	—	1,102	126	11
Hydroelectric										
Comparable assets	115	—	71	186	86	—	125	211	(25)	(12)
Hydroelectric - total	115	—	71	186	86	—	125	211	(25)	(12)
Thermal	39	12	—	51	36	12	—	48	3	6
Solar	—	3	—	3	—	3	—	3	—	—
Total[1]	667	730	71	1,468	506	733	125	1,364	104	8

(1) Includes the compensation for the equivalent of 76 GWh in light of the capacity limitation imposed on the NRWF facility for the fourth quarter of 2020 (64 GWh for the fourth quarter of 2019).
(2) See the *Acquisitions and commissioning* table in the *Overview of past three fiscal years* section.

Boralex produced 1,392 GWh of electricity in the fourth quarter of 2020 and received compensation for the equivalent of 76 GWh, bringing total production to 1,468 GWh, up 8% from 1,364 GWh for the same quarter of 2019, comprising production of 1,300 GWh and the equivalent of 64 GWh for which compensation was received. Excluding contributions from acquired and commissioned assets, output from comparable assets remained stable.

Wind
Total production of wind farms for the fourth quarter of 2020 amounted to 1,228 GWh, up from 1,102 GWh for the corresponding quarter of 2019. This growth resulted primarily from the acquisition and commissioning of wind farms since the beginning of the fourth quarter of 2019 while comparable assets in the aggregate reported a relatively stable production volume.

- In **France,** weather conditions were slightly less favourable compared with last year, resulting in a 4% decline in lower production volumes from comparable wind farms in the fourth quarter of 2020 compared with the corresponding quarter of 2019, when volumes were particularly high. The most recent full quarter contribution of the facilities commissioned since the beginning of the fourth quarter of 2019 (see the *Acquisitions and commissioning* table in the *Overview for the past three years* section) resulted in a stable production volume compared to the fourth quarter of 2019, at 715 GWh.
- In **Canada**, the wind power segment benefited from more favourable wind conditions than in the past year. Comparable assets reported a production volume of 424 GWh in the fourth quarter of 2020, up 10% from 384 GWh for the same period of 2019. Including the contributions of the LP I and DM I and II wind farms following the acquisition of the Caisse's 49% interest in these facilities, the Canadian wind power segment ended the fourth quarter of 2020 with a production volume of 513 GWh, up 34% from the same period of last year.

Hydroelectric

In the fourth quarter of 2020, the Corporation's hydroelectric power stations generated 186 GWh compared with 211 GWh in the corresponding quarter of 2019, down 12% owing to less favourable conditions for the U.S. power stations.

- In **Canada**, the hydroelectric power segment benefited from more favourable water flow conditions and reported a production volume of 115 GWh in the fourth quarter of 2020, up 34% from 86 GWh for the same quarter of 2019.
- In the **United States**, water flow conditions were less favourable compared with last year which resulted in a 43% decrease in production volume to 71 GWh for the fourth quarter of 2020 from 125 GWh for the corresponding period of 2019.

Revenues from energy sales and feed-in premium

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

(in millions of Canadian dollars)	Wind	Hydro	Other segments	**Consoli-dated**
THREE-MONTH PERIOD ENDED DECEMBER 31, 2019	149	22	8	**179**
Segment breakdown	83 %	12 %	5 %	**100 %**
Acquisitions/commissioning[(1)]	13	—	—	**13**
Volume[(2)]	2	(1)	—	**1**
Foreign exchange effect	6	—	—	**6**
Pricing	(1)	(3)	—	**(4)**
Other	1	(3)	—	**(2)**
Change	21	(7)	—	**14**
THREE-MONTH PERIOD ENDED DECEMBER 31, 2020	170	15	8	**193**
Segment breakdown	88 %	8 %	4 %	**100 %**

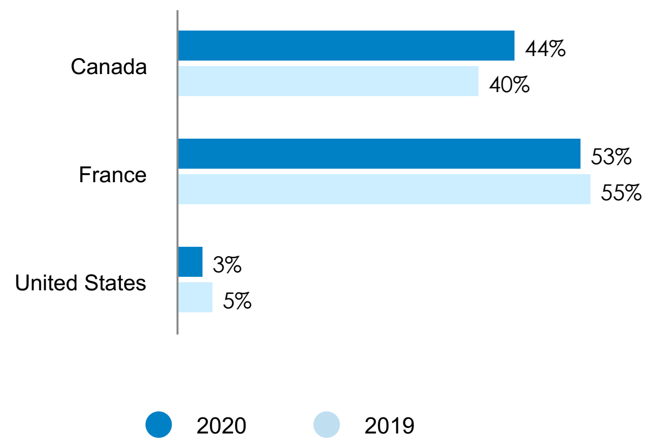
(1) See the *Acquisitions and Commissioning* table in the *Overview of past three fiscal years* section.
(2) Excluding the temporary shutdowns and resumptions.

For the three-month period ended December 31, 2020, revenues from energy sales totalled $193 million, up 8% from $179 million for the corresponding quarter of 2019. This increase was mainly attributable to the Corporation's expanded operating base (see the *Acquisitions and commissioning* table in the *Overview of past three fiscal years* section) and the favourable effect of fluctuations in the euro against the Canadian dollar. These factors were partially offset by the price effect.

Broken down geographically, for the fourth quarter of 2020, 44% of revenues were generated in Canada and 53% in France, compared with 40% and 55%, respectively, for the fourth quarter of 2019. The acquisition of the Caisse's interest in the LP I, DM I and II wind farms, the more favourable conditions for comparable assets in the wind power and hydroelectric power segments in Canada in the fourth quarter of 2020 and the lower revenues of U.S. power stations are the primary factors underlying these year-over-year changes.

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

(Three-month periods ended December 31)



- For the fourth quarter of 2020, the **wind** power segment posted revenues of $170 million, compared with $149 million a year earlier. This increase was driven primarily by a favourable difference of $13 million resulting from the contributions of assets acquired in Canada and those commissioned in France. Also, a $6 million favourable foreign exchange effect resulted from the strengthening of the euro against the Canadian dollar.

  Overall, revenues recorded by the French wind power segment were up 5% compared with the fourth quarter of 2019, while revenues at Canadian wind farms were up 27%.
- For the fourth quarter of 2020, the **hydroelectric** power segment generated revenues of $15 million, down 31% from $22 million for the same quarter of 2019. This decline stemmed from the lower production volume in the United States owing to less favourable water flow conditions, combined with the price effect, primarily related to the **Yellow Falls** power station in Canada for which a favourable retroactive adjustment of $4 million was recognized in 2019 following confirmation of commercial commissioning.

  Overall, revenues of Canadian power stations were down 21% in the fourth quarter of 2020 compared with the same period of 2019. For the U.S. power stations, revenues were down 45%.

EBITDA(A)[1]

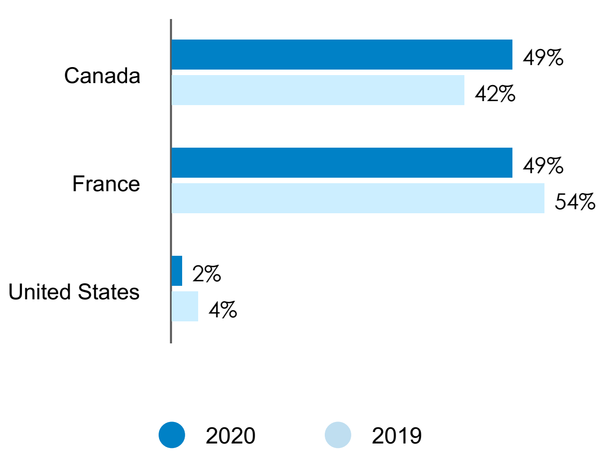
Main differences in EBITDA(A)

(in millions of Canadian dollars, unless otherwise specified)	Wind	Hydro	Other segments	Corporate and eliminations	**Consolidated**
THREE-MONTH PERIOD ENDED DECEMBER 31, 2019	145	17	2	(21)	**143**
Segment breakdown[2]	88 %	11 %	1 %		**100 %**
Acquisitions/commissioning[3]	12	—	—	—	**12**
Volume[4]	2	(1)	—	—	**1**
Pricing	(1)	(3)	—	—	**(4)**
Disposal of land (2019)	(6)	—	—	—	**(6)**
Foreign exchange effect	5	—	—	(1)	**4**
Other[5]	(2)	(3)	(1)	(7)	**(13)**
Change	10	(7)	(1)	(8)	**(6)**
THREE-MONTH PERIOD ENDED DECEMBER 31, 2020	155	10	1	(29)	**137**
Segment breakdown[2]	93 %	6 %	1 %		**100 %**

(1) See the *Non-IFRS measures* section.
(2) Excluding corporate segment and eliminations.
(3) See the *Acquisitions and commissioning* table in the *Overview of past three fiscal years* section.
(4) Excluding the temporary shutdowns and resumptions.
(5) Includes primarily the differences related to payroll, share of joint ventures, maintenance costs and revenues following the repatriation of SDB I maintenance work in-house.

Geographic breakdown of EBITDA(A)[1]

(Three-month periods ended December 31)



(1) Excluding the corporate segment and eliminations.

For the fourth quarter of 2020, the Corporation recorded consolidated EBITDA(A) of $137 million, down $6 million or 4% from the corresponding quarter of 2019. Besides the previously explained changes in revenues from energy sales and feed-in premium, this decline was also attributable a $6 million unfavourable difference resulting from a gain on the disposal of land in Scotland in 2019 and the combination of several factors, including the increase in maintenance costs due to repowering and higher payroll. The higher payroll resulted from the increase in the number of employees following the Corporation's growth, long-term incentive plans linked to the Boralex's share price and variable compensation. The last two factors are directly correlated with the Corporation's sound performance in 2020.

Broken down geographically, for the fourth quarter of 2020, 49% of EBITDA(A) was generated in Canada and 49% in France, compared with 42% and 54%, respectively, for the fourth quarter of 2019. These changes were attributable to the same reasons discussed above and a greater increase in maintenance costs in France.

- The **wind** power segment recorded EBITDA(A) of $155 million for the fourth quarter of 2020, up $10 million or 6% from the corresponding quarter of 2019. This increase was driven primarily by the contributions of assets acquired in Canada and those commissioned in France, and improved performance of comparable Canadian assets.

  At the French wind farms, EBITDA(A) was down 8% to $81 million, while the Canadian wind farms reported a 27% improvement to $74 million owing to favourable wind conditions and the contribution of acquired facilities.

- **Hydroelectric** power segment EBITDA(A) amounted to $10 million for the fourth quarter of 2020, down $7 million or 41% compared with the corresponding quarter of 2019. This decline stemmed from the lower production volume at the U.S. power stations and the price effect, primarily related to the **Yellow Falls** power station, as explained previously.

Excluding the acquisition of the Caisse's interests in three wind farms in Canada, facilities commissioned in France and temporary shutdowns and resumptions, revenues from energy sales and feed-in premium were stable in the fourth quarter of 2020 as compared with the prior year, while operating expenses rose 22%, not taking into account the gain on disposal on land for 2019. Higher operating costs resulted primarily from the increase in maintenance costs and higher payroll.

Main differences in net earnings attributable to shareholders of Boralex

(in millions of Canadian dollars)

THREE-MONTH PERIOD ENDED DECEMBER 31, 2019	(26)
EBITDA(A)(1)	(6)
Amortization	(6)
Impairment	47
Acquisition costs	(4)
Financing costs	10
Income taxes	5
Non-controlling shareholders	(2)
Loss on deemed disposal of interests in the Joint Ventures	(7)
Other	14
Change	51
THREE-MONTH PERIOD ENDED DECEMBER 31, 2020	25

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

Amortization

Amortization expense for the fourth quarter of 2020 was up $6 million to $62 million, owing mainly to the expansion in the Corporation's operating base and the accelerated amortization of repowered facilities, partially offset by a $2 million reduction in amortization expense following changes made to the useful lives of certain components of wind farms with concrete towers.

Impairment

The Corporation recognized an impairment loss of $6 million in the fourth quarter of 2020, compared with $53 million in the corresponding quarter of 2019, resulting in a favourable difference of $47 million. Note that the Corporation had recorded impairment losses on the property, plant and equipment and intangible assets of the Moulins du Lohan project following the withdrawal of the 2016 FiP.

Acquisition costs

During the fourth quarter of 2020, the Corporation recorded costs of $4 million for the acquisition of interests in seven solar power stations in the United States completed in January 2021 (Note 26. *Subsequent event*) and to a lesser extent, for the acquisition of the Caisse's interest in the LP I, DM I and II wind farms.

Financing costs

Financing costs were down $10 million to $30 million in the fourth quarter of 2020, owing primarily to a decline in financing costs following the debt refinancing for the last twelve months.

Income taxes

In light of the earnings before income taxes, the Corporation's income tax recovery increased by $5 million compared with the corresponding quarter of the previous year. This increase was mainly due to the $48 million increase in earnings before income taxes for the three-month period ended December 31, 2020, partially offset by the fiscal impact recorded following the acquisition of 49% of the interests in LP I, DM I and II during the fourth quarter, which were previously held by the Corporation at 51%, and certain deductible expenses.

Loss on deemed disposal

The loss recognized during the fourth quarter of 2020 resulted from the deemed disposal of 51% of the Corporation's interests in the LP I and DM I and II joint ventures before completing the acquisition of 100% of interests in these companies through a business combination achieved in stages following the acquisition of the Caisse's interest in these wind farms.

Other

The $14 million change resulted from a $5 million net gain on financial instruments in 2020 compared with a $5 million net loss on financial instruments, and a $4 million foreign exchange loss in 2019. The net gain on financial instruments is attributable to reversals of inefficiency while the net loss on financial instruments in 2019 stemmed from the change in fair value of options to purchase a partner's interest caused by a decline in future price curves for electricity prices.

Net earnings

Overall, for the three-month period ended December 31, 2020, Boralex recognized net earnings of $30 million, compared with a net loss of $23 million for the same period of 2019. Net earnings attributable to non-controlling shareholders of Boralex for the fourth quarter of 2020 totalled $5 million, compared with net earnings of $3 million for the same quarter of 2019.

As shown in the accompanying table, the Corporation recognized net earnings attributable to shareholders of Boralex of $25 million or $0.24 per share (basic and diluted), compared with a net loss attributable to shareholders of Boralex of $26 million or $0.28 per share (basic and diluted) for the corresponding period of 2019. The favourable difference of $51 million or $0.52 per share (basic and diluted) compared to the corresponding period of 2019 is explained by the combination of the elements listed above, and above all by the expansion of the operating base resulting from growth both organic and through acquisitions.

Analysis of consolidated operating results for the year ended December 31, 2020

EBIDTA(A) up 8%, attributable to more favourable weather conditions for the wind power segment and the expansion of the Corporation's operating base.

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

Total power production

(GWh)	Year-to-date 2020				Year-to-date 2019				Change	
	Canada	France	United States	Total	Canada	France	United States	Total	In GWh	%
Wind										
Comparable assets[1]	1,300	2,126	—	3,426	1,288	1,981	—	3,269	157	5
Acquisition - LP I, DM I and II	89	—	—	89	—	—	—	—	89	—
Commissioning[2]	67	188	—	255	40	69	—	109	146	>100
Temporary shutdown - Cham Longe I	—	24	—	24	—	56	—	56	(32)	(57)
Wind - total	1,456	2,338	—	3,794	1,328	2,106	—	3,434	360	10
Hydroelectric										
Comparable assets	201	—	337	538	209	—	467	676	(138)	(20)
Commissioning - Yellow Falls	80	—	—	80	47	—	—	47	33	69
Temporary shutdown - Buckingham	128	—	—	128	33	—	—	33	95	>100
Hydroelectric - total	409	—	337	746	289	—	467	756	(10)	(1)
Thermal	135	31	—	166	127	31	—	158	8	5
Solar	—	21	—	21	1	22	—	23	(2)	(6)
Total[1]	2,000	2,390	337	4,727	1,745	2,159	467	4,371	356	8

(1) Includes compensation for the equivalent of 181 GWh in light of the power limitation imposed on the NRWF facility for fiscal 2020 (175 GWh for fiscal 2019).

(2) See the *Acquisitions and commissioning* table in the *Overview of past three fiscal years* section.

Boralex produced 4,546 GWh of electricity for the year ended December 31, 2020 and received compensation for the equivalent of 181 GWh, bringing total production to 4,727 GWh, up 8% from 4,371 GWh in 2019, comprising production of 4,196 GWh and compensation for the equivalent of 175 GWh. Excluding contributions from acquired and commissioned assets, output from comparable assets remained stable, as the wind power segment's improved results for the year as a whole were more than offset by lower production volumes at our hydroelectric power stations.

Wind

Total production of wind farms for fiscal 2020 amounted to 3,794 GWh, up 10% from 3,434 GWh for fiscal 2019. This increase was driven by contributions from assets acquired and commissioned since the beginning of fiscal 2019 (see the *Acquisitions and commissioning* table in the *Overview of past three fiscal years* section) and significantly more favourable wind conditions in the first quarter of 2020 in France.

- In **France**, weather conditions were on average more favourable during fiscal 2020 compared with 2019, leading to a 7% increase in production volume of comparable wind farms. Taking into account contributions from wind farms commissioned and the temporary shutdown and resumption of the **Cham Longe I** wind farm, the French wind power segment recorded an 11% increase in production volumes for the year ended December 31, 2020, compared with fiscal 2019, to reach 2,338 GWh.

- In **Canada**, overall weather conditions were slightly more favourable than in 2019, resulting in a 1% increase in production volume of comparable assets. With the acquisition of the Caisse's interests in the LP I and DM I and II wind farms and the commissioning of the **Moose Lake** wind farm in April 2019, the Canadian wind power segment's production volume grew 10% to 1,456 GWh compared with 1,328 GWh in 2019.

Hydroelectric

For fiscal 2020, hydroelectric power segment production totalled 746 GWh, down slightly from 756 GWh in fiscal 2019.

- In **Canada**, the hydroelectric power segment reported a higher production volume of 409 GWh in fiscal 2020 compared with 289 GWh in fiscal 2019. However, production volumes were down slightly at comparable assets, which was more than offset by the commissioning of the **Yellow Falls** power station and the recommissioning of the **Buckingham** power station following repowering work.
- In the **United States**, water flow conditions were less favourable than last year, which resulted in a 28% decline in production volume, or 337 GWh, for fiscal 2020 compared with 467 GWh in fiscal 2019.

Revenues from energy sales and feed-in premium

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

(in millions of Canadian dollars)	Wind	Hydro	Other segments	Consolidated
YEAR ENDED DECEMBER 31, 2019	471	60	33	**564**
Segment breakdown	83 %	11 %	6 %	**100 %**
Acquisitions/commissioning[1]	25	2	—	**27**
Volume[2]	21	(6)	—	**15**
Temporary shutdowns and resumptions	(1)	7	—	**6**
Pricing	(1)	—	(3)	**(4)**
Foreign exchange effect	8	—	—	**8**
Other[3]	3	—	—	**3**
Change	55	3	(3)	**55**
YEAR ENDED DECEMBERS 31, 2020	526	63	30	**619**
Segment breakdown	85 %	10 %	5 %	**100 %**

(1) See the *Acquisitions and commissioning* table in the *Overview of past three fiscal years* section.

(2) Excluding the temporary shutdowns and resumptions.

(3) Includes the differences related to the insurance proceeds for several wind farms following incidents and compensation for prior production limitations.

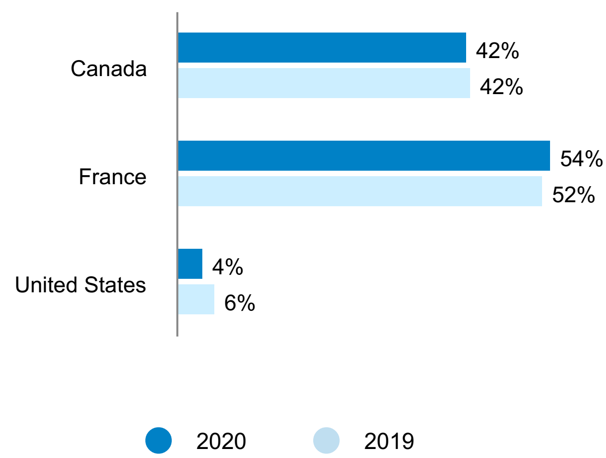
Revenues from energy sales grew $55 million or 10%, compared with the previous year, to $619 million for the year ended December 31, 2020. This increase was driven by expansion of the Corporation's operating base since the beginning of 2019 (see the *Acquisitions and commissioning* table in the *Overview of past three fiscal years* section) and more favourable weather conditions at comparable wind farms.

Broken down geographically, for the year ended December 31, 2020, 42% of revenues was generated in Canada and 54% in France, compared with 42% and 52%, respectively, for fiscal 2019. This change was driven primarily by more favourable weather conditions at French wind farms in the first quarter compared with last year.

The acquisition of the Caisse's interests in three wind farms in Canada and facilities commissioned in Canada outweighed the commissioning of wind farms in France.

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

(Years ended December 31)



- For the year ended December 31, 2020, the **wind** power segment generated revenues of $526 million, up 11% from 2019. The expansion in the operating base resulted in a $25 million favourable difference, while higher production at French wind farms was largely responsible for a $21 million volume effect in the first quarter of 2020. Also, the strengthening of the euro against the Canadian dollar gave rise to a favourable difference of $8 million.

  Overall, revenues recorded by the French wind power segment were up 14% compared with 2019, while revenues of the Canadian wind power segment grew 8% year-over-year.

- For the year ended December 31, 2020, the **hydroelectric** power segment generated revenues of $63 million, up 4% from $60 million in 2019. This improvement resulted mainly from the contribution of the **Yellow Falls** power station commissioned in March 2019 and the recommissioning of the Buckingham power station in October 2019, which offset the impact of lower volumes owing to less favourable water flow conditions at comparable U.S. power stations since the beginning of 2020.

Revenues at U.S. power stations were down 28%, compared with a 39% increase at Canadian power stations.

EBITDA(A)[(1)]

Main differences in EBITDA(A)

(in millions of Canadian dollars, unless otherwise specified)	Wind	Hydro	Other segments	Corporate and eliminations	**Consolidated**
YEAR ENDED DECEMBER 31, 2019	412	44	11	(65)	**402**
Segment breakdown[(2)]	88 %	9 %	3 %		**100 %**
Acquisitions/commissioning[(3)]	20	2	—	—	**22**
Volume[(4)]	21	(7)	—	—	**14**
Temporary shutdowns	(1)	7	—	—	**6**
Pricing	(1)	—	(3)	—	**(4)**
Share of the Interests	5	—	—	—	**5**
Development	4	—	(2)	—	**2**
Disposal of land (2019)	(6)	—	—	—	**(6)**
Foreign exchange effect	8	—	—	(1)	**7**
Other[(5)]	2	(1)	(1)	(14)	**(14)**
Change	52	1	(6)	(15)	**32**
YEAR ENDED DECEMBER 31, 2020	464	45	5	(80)	**434**
Segment breakdown[(2)]	90 %	9 %	1 %		**100 %**

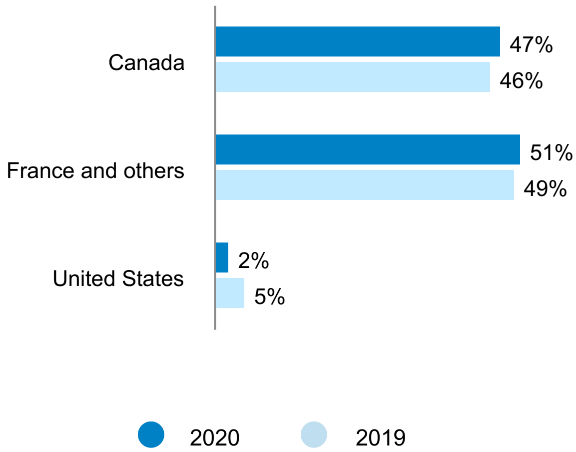
(1) See the *Non-IFRS measures* section.
(2) Excluding the corporate segment and eliminations.
(3) See the Acquisitions and *commissioning* table in the *Overview of past three fiscal years* section.
(4) Excluding the temporary shutdowns and resumptions.
(5) Includes the differences related to payroll, raw material costs and revenues following the repatriation of LP I and SDB I maintenance work in-house.

For the year ended December 31, 2020, consolidated EBITDA(A) amounted to $434 million, up $32 million or 8% compared with 2019. This increase was largely attributable to $22 million in additional EBITDA(A) stemming from expansion in the operating base since the beginning of 2019. In addition, there was a $14 million volume effect due to the improved performance of comparable assets and a $6 million net favourable difference resulting from temporary shutdowns and resumptions. This increase also stemmed from a combination of other factors, including a favourable difference of $5 million attributable to the solid performance of the wind farms of the Joint Ventures and associates, and a $7 million foreign exchange effect. These items were offset by an unfavourable difference of $6 million resulting from the gain on the disposal of land in Scotland in 2019, the increase in maintenance costs due to repowering and the higher payroll resulting from the increase in the number of employees following the expansion of the operating base and the repatriation of maintenance in-house, long-term incentive plans, which are linked to the Boralex share price, and variable compensation. The last two factors are directly correlated with the Corporation's sound performance in 2020.

Broken down geographically, for the year ended December 31, 2020, 47% of EBITDA(A) was generated in Canada and 51% in France, compared with 46% and 49%, respectively, for fiscal 2019. This slight change resulted from the slightly greater expansion of the operating base in France compared with Canada and better wind conditions in France in the first quarter of 2020.

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

(Years ended December 31)



(1) Excluding the corporate segment and eliminations.

- For the year ended December 31, 2020, the **wind** power segment recorded EBITDA(A) of $464 million, up $52 million or 12% from fiscal 2019. This growth was largely driven by Boralex's expansion strategy, with $20 million in additional EBITDA(A) generated by the facilities acquired and commissioned over the past year. Also, sound performance at comparable assets, primarily in France, resulted in a $21 million favourable difference.

  EBITDA(A) recorded by the French wind power segment was up 13%, while EBITDA(A) of the Canadian wind power segment grew 12%.

- For the year ended December 31, 2020, **hydroelectric** power segment EBITDA(A) was up $1 million to $45 million, compared with the previous year. The favourable difference resulting from the contribution of the **Yellow Falls** and **Buckingham** power stations offset the decline in production from comparable facilities in the United States due to less favourable water flow conditions.

  EBITDA(A) was down 38% at U.S. power stations, compared with a 48% increase at the Canadian power stations.

Excluding the acquisition of the Caisse's interests in three wind farms in Canada, facilities commissioned, and temporary shutdowns and resumptions, revenues from energy sales and feed-in premium were up 4% for the year ended December 31, 2020 compared with the prior year, while operating expenses rose 12%, not taking into account the gain on disposal of land in 2019. Higher operating costs resulted primarily from the increase in maintenance costs and the higher payroll as discussed previously.

Main changes in net earnings attributable to shareholders of Boralex

(in millions of Canadian dollars)

YEAR ENDED DECEMBER 31, 2019	(39)
EBITDA(A)[(1)]	32
Excess of distributions received over the share in net earnings of Joint Venture SDB I	6
Amortization	7
Impairment[(2)]	48
Acquisition costs[(2)]	(4)
Financing costs	30
Income taxes	(10)
Non-controlling shareholder	(10)
Loss on deemed disposal of interests in the Joint Ventures[(2)]	(7)
Other	2
Change	94
YEAR ENDED DECEMBERS 31, 2020	55

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

(2) See *the Analysis of consolidated operating results for the three-month period ended December 31, 2020.*

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

For the year ended December 31, 2020, the Corporation recognized an excess of distributions received over the share in net earnings of Joint Venture SDB I for a total amount of $6 million, compared with an overall nil amount for fiscal 2019, thereby resulting in a $6 million favourable difference. The significant decrease in the carrying amount of the interest in SDB I during the year resulted primarily from the reduction in the fair value of the Joint Ventures' interest rate swaps given the significant drop in rates since the beginning of the COVID-19 pandemic. Under IFRS, if Boralex's interest in a Joint Venture becomes negative following the payment of distributions, the carrying amount of such interest is reduced to zero and the adjustment is recorded under Excess of distributions received over the share in net earnings of Joint Venture SDB I. When the carrying amount of the interest becomes positive again, the adjustment is reversed up to the cumulative amount previously recognized as an excess amount.

Amortization

For the year ended December 31, 2020, amortization expense decreased by $7 million to $237 million, compared with 2019. This decrease was mainly attributable to the combined effect of changes made to the useful lives of certain components of wind farms as of the fourth quarters of 2019 and 2020 totalling $21 million, partially offset by the expansion of the Corporation's asset base, accelerated amortization at repowered facilities and the strengthening of the euro against the Canadian dollar.

Financing costs

For the year ended December 31, 2020, financing costs decreased $30 million to $113 million, compared with 2019, owing mainly to the $22 million decline in financing costs resulting from the refinancing of debt in France and that of the NRWF wind farm and a decrease of $7 million following the redemption of convertible debentures in 2019.

Income taxes

For the year ended December 31, 2020, the Corporation's income tax expense was up $10 million compared with 2019. This increase was mainly due to the $114 million increase in earnings before income taxes. This increase was partially offset by the fiscal impact of the acquisition of interests in LP I, DM I and II and to a lesser extent, the effect of a non-deductible, non-recurring expense. Tax policy changes in Europe and the United States that are unfavourable for the Corporation also impacted the income tax expense.

Other

The $2 million favourable difference was attributable to a decrease in foreign exchange loss compared with the corresponding quarter of 2019.

Net earnings

For the year ended December 31, 2020, Boralex recognized net earnings of $61 million, compared with a net loss of $43 million for fiscal 2019. Net earnings attributable to non-controlling shareholders of Boralex for the year ended December 31, 2020 amounted to $6 million compared with a net loss of $4 million for 2019.

Net earnings attributable to shareholders of Boralex amounted to $55 million or $0.55 per share (basic and diluted), compared with a net loss of $39 million or $0.43 per share (basic and diluted) for fiscal 2019. The favourable difference of $94 million or $0.98 per share (basic and diluted) compared with fiscal 2019 resulted from the items discussed above, but above all by the expansion of the operating base resulting from growth both organic and through company acquisitions.

Cash flows

The expansion of the operating asset base over the past fiscal year, better weather conditions and the recent refinancing were the driving factors for the changes in cash flows, which contributed in particular to the increase in cash flows from operations for fiscal 2020 compared with the same period last year.

(in millions of Canadian dollars)	2020	2019
Cash flows from operations(1)	338	310
Change in non-cash items related to operating activities	24	(16)
Net cash flows related to operating activities	362	294
Net cash flows related to investing activities	(247)	(100)
Net cash flows related to financing activities	—	(189)
Translation adjustment on cash and cash equivalents	7	(9)
NET CHANGE IN CASH AND CASH EQUIVALENTS	122	(4)
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	153	157
CASH AND CASH EQUIVALENTS – END OF YEAR	275	153

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

Operating activities

For the year ended December 31, 2020, Boralex reported $338 million in cash flows from operations, compared with $310 million for fiscal 2019. Excluding non-cash items from net earnings, the increase of $28 million in cash flows from operations resulted largely from the $32 million growth in EBITDA(A) as discussed previously, combined with a $21 million decrease in *Interest paid*, resulting from the global refinancing of French debt and that of the NRWF wind farm, as well as the August 2020 share issuance and the redemption of convertible debentures in October 2019. The increase was partially offset by a $22 million decrease in distributions received from the *Interests in the Joint Ventures and associates*, and a $2 million increase in *Income taxes paid*.

Distributions received from the Joint Ventures and associates

	Years ended December 31		
(in millions of Canadian dollars)	2020	2019	Change $
SDB I and II	16	19	(3)
DM I and II, LP I, LP II and Roncevaux(1)	16	35	(19)
	32	54	(22)

(1) Note that Boralex received a special distribution from the LP I project following its debt refinancing in December 2019.

Cash generated by the change in non-cash items related to operating activities in the amount of $24 million during fiscal 2020 resulted primarily from a decrease in *Trade and other receivables*, related to a better recovery of accounts receivable. In addition, *Other current assets* increased as a result of deposits made to suppliers for ready-to-build projects. *Trade and other payables* was up compared with the value recognized in fiscal 2019, stemming mainly from disbursements related to facilities under construction in France, maintenance costs and profit-sharing resulting from a change in the payment schedule.

Investing activities

Investing activities used $247 million in cash, compared with $100 million in 2019. The Corporation made investments in property, plant and equipment in the amount of $145 million for fiscal 2020 as a whole, broken down as shown in the following table. In addition, a payment of $98 million, net of cash acquired, was made as consideration for the acquisition of the Caisse's interest in three wind farms in Québec.

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

(in millions of Canadian dollars)	Canada	Europe	United States	Total
Wind				
Construction(1)	—	121	—	**121**
In operation	—	3	—	**3**
Wind - total	**—**	**124**	**—**	**124**
Hydroelectric				
Construction(1)	9	—	—	**9**
In operation	3	—	—	**3**
Hydroelectric - total	**12**	**—**	**—**	**12**
Solar	**—**	**1**	**2**	**3**
Corporate	**6**	**—**	**—**	**6**
Total	**18**	**125**	**2**	**145**

(1) See the *Acquisitions and* commissioning table in the *Overview of past three fiscal years* section.

Restricted cash decreased by $12 million during fiscal 2020, largely due to the release of equity early in the year subsequent to the refinancing in France.

The Corporation also paid $11 million mainly as additional consideration for the **Extension Seuil de Bapaume** project.

Note that the Corporation sold land in Scotland in 2019 for an amount of $13 million and also disbursed $18 million as contingent consideration for the **Seuil du Cambrésis** and **Santerre** projects. Reserve funds increased by $10 million in connection with the old Sainte-Christine portfolio early in 2019, which was subsequently offset by the release of funds in amounts of $5 million related to the U.S. note and $33 million following the refinancing in France. In addition, as a result of payments made to suppliers for work completed at various facilities under construction or commissioned, restricted cash decreased by $45 million. Lastly, the Corporation invested $5 million in connection with a joint venture in the solar sector in the United States.

Financing activities

In fiscal 2020, financing activities used nil total net cash flows.

New financing arrangements and repayments on existing debt

For fiscal 2020, new non-current debt contracted by Boralex totalled $413 million:

- $201 million on revolving credit facility;
- $72 million related to the NRWF debt refinancing;
- $140 million for the Sainte-Christine portfolio in France;

At the end of the first quarter of 2020, given the potential liquidity issues that could affect the banking system during the COVID-19 crisis, the Corporation decided to draw down $40 million from its revolving credit facility in order to secure an emergency cushion. Since then, 100% of that amount has been used: $2 million for current operations not related to the COVID-19 crisis and the balance for financing the year's acquisitions.

Conversely, during fiscal 2020, the Corporation made debt repayments totalling $175 million relating to projects in operation, repaid $5 million in bridge financing and settled $11 million in lease liabilities. Boralex also repaid $323 million on its revolving credit facility.

On August 28, 2020, Boralex announced the closing of a public offering of Class A common shares for proceeds of $201 million or $194 million net of issuance costs.

Dividends and other items

During fiscal 2020, the Corporation paid dividends to shareholders totalling $66 million, compared with $60 million in fiscal 2019. For both years, dividends paid were equivalent to $0.1650 per share per quarter.

For the year ended December 31, 2020, the Corporation paid $6 million to non-controlling shareholders, compared with $7 million for 2019. The Corporation also disbursed $9 million during the second quarter of 2020 mainly for the settlement of cross-currency swaps that had matured. Note that this was offset by an equivalent increase in the value of Boralex's investments in Europe resulting from the strengthening of the euro against the Canadian dollar.

Net change in cash and cash equivalents

Total cash movements in fiscal 2020 resulted in a $122 million increase, bringing *Cash and cash equivalents* to $275 million as at December 31, 2020 compared with $153 million as at December 31, 2019.

Discretionary cash flows and payout ratio(1)

Discretionary cash flows amounted to $146 million for fiscal 2020 compared with $120 million for fiscal 2019. This $26 million increase resulted mainly from growth in EBITDA(A) excluding non-cash items such as the share in earnings of the joint ventures, between the two periods, stemming from largely higher wind power production in the first quarter of 2020. Higher debt repayments including net non-recurring and temporary debt adjustments of $22 million mainly related to the adjustment of debt repayments in France based on seasonal factors following the refinancing which took place at the end of 2019 was offset by a $22 million decrease in interest paid as a result of debt refinancing in France and for the NRWF project, and the redemption of convertible debentures in the fourth quarter of 2019.

Discretionary cash flows amounted to $1.48 per share for fiscal 2020 compared with $1.33 per share for fiscal 2019.

The dividends paid to shareholders during the fiscal year 2020, represented a payout ratio of 45%, which falls within the target payout ratio range of 40% to 60% set in the Corporation's financial objectives for 2023.

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

Financial position

Overview of the consolidated condensed statements of financial position

(in millions of Canadian dollars)	As at December 31, 2020	As at December 31, 2019	Change ($)
ASSETS			
Cash and cash equivalents	275	153	122
Restricted cash	2	15	(13)
Other current assets	195	195	—
CURRENT ASSETS	472	363	109
Property, plant and equipment	3,112	2,715	397
Right-of-use assets	316	260	56
Intangible assets	1,027	700	327
Goodwill	222	188	34
Interests in the Joint Ventures and associates	74	236	(162)
Other non-current assets	91	95	(4)
NON-CURRENT ASSETS	4,842	4,194	648
TOTAL ASSETS	5,314	4,557	757
LIABILITIES			
CURRENT LIABILITIES	403	304	99
Debt	3,287	2,895	392
Lease liabilities	243	197	46
Other non-current liabilities	390	286	104
NON-CURRENT LIABILITIES	3,920	3,378	542
TOTAL LIABILITIES	4,323	3,682	641
EQUITY			
TOTAL EQUITY	991	875	116
TOTAL LIABILITIES AND EQUITY	5,314	4,557	757

Summary of significant changes

Assets

As at December 31, 2020, Boralex's total assets amounted to $5,314 million, up $757 million from total assets of $4,557 million as at December 31, 2019. This increase was due to growth of $109 million in *Current assets* and $648 million in *Non-current assets*.

The change in Current assets was primarily attributable to the $122 million increase in *Cash and cash equivalents* following the sound results for fiscal 2020, the **NRWF** debt refinancing and the share issuance. In addition, *Other current assets* grew by $13 million. These differences were partly offset by the $13 million decrease in *Restricted cash* resulting from the release of amounts subsequent to the refinancing in France.

Non-current assets were up $648 million, owing primarily to:

- The $397 million increase in the value of *Property, plant and equipment* (net of amortization for the period) which breaks down as follows:
  - $75 million related to exchange rate fluctuations;
  - A $164 million decrease related to amortization of wind farms in operation;
  - $134 million mainly related to projects under construction (see the *Cash flows* section);
  - $356 million related to the acquisition of additional interests in wind farms **LP I**, **DM I** and **II**;
  - A $8 million decrease in other items, mostly related to an impairment loss.
- A $56 million increase in *Right-of-use assets* resulting from the acquisition of additional interests in the **LP I**, **DM I** and **II** wind farms for an amount of $23 million, the revision of the amortization period amounting to $29 million, additions and indexation in the amount of $17 million, $7 million in exchange rate fluctuations, all offset by amortization of $19 million;

- A $327 million increase in *Intangible assets* primarily due to a $336 million increase related to the acquisition of additional interests in the **LP I**, **DM I** and **II** wind farms, the $24 million foreign exchange effect, $11 million as additional consideration for the acquisition related mostly to the **Extension Seuil de Bapaume** project under construction, and capitalization of development costs of $8 million, offset in part by the amortization of assets in operation in the amount of $54 million;
- A $34 million increase in *Goodwill* due to a $7 million foreign exchange effect and a $27 million increase related to the acquisition of additional interests as discussed above;
- A $162 million decrease in *Interests in the Joint Ventures and associates* mainly related to distributions received in the amount of $32 million and the repurchase of the interests in **LP I**, **DM I** and **II**;
- A $4 million decrease in *Non-current assets*, owing to the change in *Other non-current financial assets* resulting from variations in the fair value of financial instruments.

Current liabilities

Current liabilities as at December 31, 2020 amounted to $403 million compared with $304 million recognized as at December 31, 2019. The increase of $99 million is mainly due to:

- A $57 million increase in *Current portion of debt* due to the acquisition of additional interests in LP I and DM I and II, exchange rate fluctuations and the refinancing of debt in France;
- A $43 million increase in *Trade and other payables* due to a rise in disbursements related to sites under construction in France, taxes payable, maintenance costs and profit-sharing resulting from a change in the payment schedule.

Working capital

As at December 31, 2020, the Corporation had working capital of $69 million for a ratio of 1.17:1, compared with working capital of $59 million and a ratio of 1.19:1 as at December 31, 2019.

Non-current liabilities

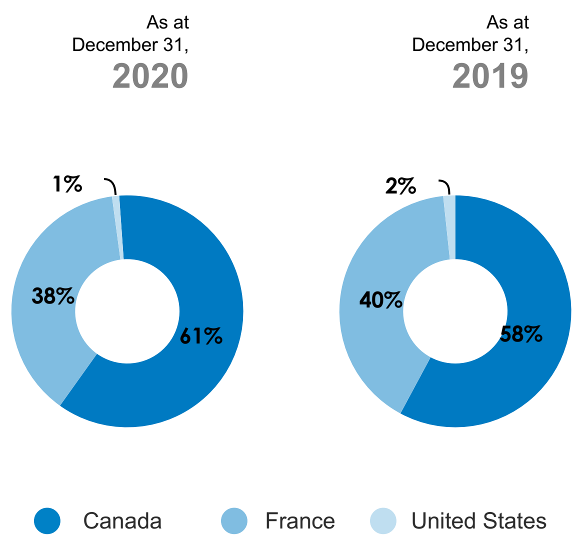
Total *Non-current liabilities* grew $542 million to total $3,920 million. The increase stems primarily from a $392 million increase in *Non-current debt* which resulted mainly from:

- A debt increase of $413 million, mainly related to the $72 million NRWF debt refinancing, a $140 million drawdown on the debt of Sainte-Christine portfolio wind farms and projects, and drawdowns of approximately $201 million on the credit facility;
- A $432 million increase following acquisition of control of wind farms **LP I**, **DM I** and **II**;
- Exchange rate fluctuations in the amount of $78 million
- A $509 million decrease resulting primarily from the repayment of the $323 million revolving credit facility following the August 2020 share issuance and scheduled repayments on project debts.

In addition, *Other non-current financial liabilities* increased by $58 million following the drop in interest rates since the beginning of the pandemic which led to a significant decline in the fair value of interest rate swaps. *Decommissioning liability* increased $38 million due to the acquisition of additional interests in LP I and DM I and II in the amount of $17 million and the revised assumptions as at December 31, 2020 for an amount of $10 million.

As at December 31, 2020, Boralex had $265 million in debt contracted for its construction projects that remained undrawn. Boralex could still draw on the $50 million accordion feature as well as an amount of $318 million available on the revolving credit facility as at December 31, 2020.

Geographic breakdown of debt



Equity

Total *Equity* rose $116 million during fiscal 2020 to $991 million as at December 31, 2020, driven by net earnings of $61 million and the August 2020 closing of an issuance of Class A shares for proceeds of $194 million, net of issue costs and taxes. The increase was partly offset by a $55 million decrease in *Other comprehensive income* mainly related to lower interest rates as well as $66 million in dividends paid to shareholders of Boralex and distributions of $18 million to non-controlling shareholders.

Debt ratios

Net debt, as defined under the *Non-IFRS measures* section, amounted to $3,332 million as at December 31, 2020 compared with $2,981 million as at December 31, 2019.

As a result, the net debt to market capitalization ratio, as defined under *Non-IFRS measures*, decreased from 56% as at December 31, 2019 to 41% as at December 31, 2020.

Boralex's share price was $47.24 per share as at December 31, 2020 compared with 24.46 per share as at December 31, 2019.

Information about the Corporation's equity

As at December 31, 2020, Boralex's capital stock consisted of 102,616,653 Class A shares issued and outstanding (96,464,460 as at December 31, 2019) due to the following share issuances:

- 6,081,200 new shares issued following the public offering in August 2020;
- 70,993 shares issued following the exercise of stock options held by management and key employees;

As of December 31, 2020, there were 277,705 outstanding stock options, of which 168,364 were exercisable.

From January 1 to February 24, 2021, no new shares were issued on exercise of stock options.

Related party transactions

The Corporation has entered into a management agreement with R.S.P. Énergie Inc., an entity of which Patrick Lemaire, President and Chief Executive Officer until December 1, 2020, and a director of the Corporation, is one of three shareholders.

The Corporation has an office lease contract with Ivanhoé Cambridge, an entity in which the Caisse holds an interest as well. As at December 31, 2020, the rent-related lease liability amounted to $10 million.

In addition, the Corporation holds a $250 million financing arrangement with the Caisse in the form of unsecured subordinated debt with a 10-year maturity as well as a $62 million (€40 million) term loan for which the credit agreement stipulates a maturity date in five years with repayment of the full amount of the loan on maturity date. For the year ended December 31, 2020, interest related to these transactions amounted to $17 million ($16 million in 2019).

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

The Six Nations' equity interest in FWRN LP was financed through a non-recourse loan which will be repaid, with interest, through Six Nations' share of the payouts that FWRN LP will make during the term of the energy sale contract. During the third quarter, following the refinancing, the Six Nations made principal repayments and interest payments totalling $9 million. For the year ended December 31, 2020, the advance, including interest, amounted to $29 million ($37 million in 2019).

The 15 MW **Val aux Moines** wind farm is 35% owned by shareholder Nordex Employee Holding GmbH. The non-controlling shareholder advanced $6 million (€4 million) to the project to finance construction of the facility. For the years ended December 31, 2020 and 2019, interest related to this amount owing to a non-controlling shareholder was not material.

Seasonal factors

	Three-month periods ended							
(in millions of Canadian dollars, unless otherwise specified)	March 31, 2019	June 30, 2019	Sept. 30, 2019	Dec. 31, 2019	March 31, 2020	June 30, 2020	Sept. 30, 2020	Dec. 31, 2020
POWER PRODUCTION (GWh)								
Wind power stations	1,038	636	546	1,038	1,235	649	577	1,152
NRWF compensation	10	73	28	64	31	55	19	76
	1,048	709	574	1,102	1,266	704	596	1,228
Hydroelectric power stations	159	255	131	211	198	218	144	186
Thermal power stations	72	38	—	48	65	8	42	51
Solar power stations	5	7	7	3	4	7	7	3
	1,284	1,009	712	1,364	1,533	937	789	1,468
REVENUES FROM ENERGY SALES AND FEED-IN PREMIUM								
Wind power stations	146	99	78	149	172	99	85	170
Hydroelectric power stations	12	16	11	22	16	18	14	15
Thermal power stations	13	5	1	7	11	2	4	8
Solar power stations	1	1	2	1	1	2	2	—
	172	121	92	179	200	121	105	193
EBITDA(A)(1)								
Wind power stations	130	84	52	145	150	90	69	155
Hydroelectric power stations	8	12	6	17	12	14	9	10
Thermal power stations	6	1	(1)	1	4	(2)	—	—
Solar power stations	1	1	2	1	—	1	1	1
	145	98	59	164	166	103	79	166
Corporate and eliminations	(14)	(15)	(14)	(21)	(17)	(17)	(17)	(29)
	131	83	45	143	149	86	62	137
NET EARNINGS (LOSS)	31	(15)	(36)	(23)	44	(6)	(8)	30
NET EARNINGS (LOSS) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX	29	(13)	(29)	(26)	41	(6)	(6)	25
Per share - basic	$0.32	($0.14)	($0.32)	($0.28)	$0.43	($0.07)	($0.06)	0.24 $
Per share - diluted	$0.31	($0.14)	($0.32)	($0.28)	$0.43	($0.07)	($0.06)	0.24 $
CASH FLOWS FROM OPERATIONS(1)	101	55	35	119	124	51	63	101

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

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

Operating volumes at Boralex facilities are influenced as follows:

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

	Net installed capacity (MW)	Power production average of the past five years(1)			
		Q1	Q2	Q3	Q4
Wind	2,002	33%	20%	17%	30%
Solar	225	20%	31%	33%	16%
Hydroelectric	181	25%	31%	20%	24%
Thermal	47	41%	16%	18%	25%
Total power production	2,455	32%	22%	17%	29%

(1) The historical average of power production is based on the last five full fiscal years of the Corporation, from 2016 to 2020.

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 had entered into foreign exchange forward contracts to hedge the exchange rate on a portion of the distributions it expects to repatriate from Europe. 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 mainly 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 can also enter into similar transactions pertaining to US dollars. These short-term transactions provide access to lower interest rates on drawdowns under the revolving credit facility. To measure the fair value of these instruments, the Corporation uses a technique that is a combination of the techniques used to measure the fair value of interest rate swaps and foreign exchange forward contracts.

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

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

Price risk

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

As at December 31, 2020, substantially all of the French and Canadian power stations and two power stations in the United States had long-term energy sales contracts, the vast majority of which were subject to partial or full indexation clauses tied to inflation. Consequently, only 2% of Boralex's net installed capacity is exposed to this price risk at present.

Interest rate risk

As at December 31, 2020, approximately 78% of non-current debt issued bore interest at variable rates, excluding the revolving credit facility and subordinated debt. To protect itself against rate increases, the Corporation uses interest rate swaps. With these instruments, the Corporation's actual exposure to interest rate fluctuations is limited to only 13% of total debt under IFRS.

The following table summarizes the Corporation's derivative financial instruments as at December 31, 2020:

As at December 31, **2020** (in millions of Canadian dollars)	Currency	Current notional (currency of origin)	Current notional (CAD)	Fair value (currency of origin)	Fair value (CAD)
Interest rate swaps	EUR	672	1,045	(30)	(46)
Interest rate swaps	CAD	1,060	1,060	(31)	(31)
Interest rate swaps	USD	130	166	1	2
Cross-currency swaps	Eur vs. CAD	308	472	(8)	(8)
					(83)

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 the anticipated return on its projects. As a result, the fact that fair value is unfavourable only indicates that forward interest rates have fallen or exchange rates have risen and has no bearing on the effectiveness of the instrument as part of the Corporation's risk management strategy.

Combined

The combined information ("Combined") presented 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 are replaced with Boralex's respective share (ranging from 50.00% to 59.96%) in the financial statements of the Interests (revenues, expenses, assets, liabilities, etc.). For greater detail, see the Significant accounting policies note to the financial statements in this Annual Report.

Interests in the Joint Ventures and associates

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

	Boralex % of interests	
	2020	2019
SDB I and II	50.00%	50.00%
DM I and II[1]	—% [1]	51.00%
LP I[1]	—% [1]	51.00%
LP II	59.96%	59.96%
Roncevaux	50.00%	50.00%

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

Highlights of the Joint Ventures and associates

	2020			**2019**			
	SDB I and II	DM I and II , LP I,[1] LP II and Roncevaux	Total	SDB I and II	DM I and II , LP I, LP II and Roncevaux	Total	Change (%)
Three-month periods ended December 31:							
Wind power production (GWh)	164	131	295	149	164	313	(6)
Revenues from energy sales	18	14	32	16	17	33	(4)
EBITDA(A)	15	11	26	14	14	28	(5)
Net earnings	8	2	10	5	2	7	27
Net cash flows related to operating activities	14	9	23	9	8	17	26
Cash flows from operations	12	10	22	9	10	19	15
Years ended December 31:							
Wind power production (GWh)	566	541	1,107	571	602	1,173	(6)
Revenues from energy sales	63	56	119	63	60	123	(4)
EBITDA(A)	54	45	99	55	49	104	(5)
Net earnings (loss)	22	—	22	18	(1)	17	29
Net cash flows related to operating activities	35	31	66	33	32	65	—
Cash flows from operations	39	33	72	38	33	71	—
Shares in the assets	351	135	486	359	498	857	(43)
Shares of borrowings	273	81	354	286	307	593	(40)

[1] For fiscal 2020, the LP I, DM I and II data are considered until the date of acquisition of Caisse's shares on November 30, 2020.

Analysis of consolidated operating results for the three-month period ended December 31, 2020 - Combined

Total power production

(GWh)	Q4 2020				Q4 2019				Change	
	Canada	France	United States	Total	Canada	France	United States	Total	in GWh	%
Wind										
Comparable assets[1]	764	664	—	1,428	697	691	—	1,388	40	3
Acquisition - LP I, DM I and II	44	—	—	44	—	—	—	—	44	—
Commissioning[2]	—	46	—	46	—	10	—	10	36	>100
Temporary shutdown - Cham Longe I	—	5	—	5	—	17	—	17	(12)	(70)
Wind - total	808	715	—	1,523	697	718	—	1,415	108	8
Hydroelectric										
Comparable assets	115	—	71	186	86	—	125	211	(25)	(12)
Hydroelectric - total	115	—	71	186	86	—	125	211	(25)	(12)
Thermal	39	12	—	51	36	12	—	48	3	6
Solar	—	3	—	3	—	3	—	3	—	—
Total[1]	962	730	71	1,763	819	733	125	1,677	86	5

(1) Includes the compensation for the equivalent of 76 GWh in light of the power limitation imposed on the NRWF facility for the fourth quarter of 2020 (64 GWh for the fourth quarter of 2019).
(2) See the *Acquisitions and commissioning* table in the *Overview of past three fiscal years* section.

On a Combined basis, power generation amounted to 1,763 GWh in the fourth quarter of 2020, up 86 GWh or 5% compared with the corresponding period of 2019. The facilities of the Joint Ventures and associates experienced more favourable weather conditions than a year earlier. The increase in production is also attributable to the same factors as under IFRS, namely better weather conditions in the wind and hydroelectric power segments in Canada and the expansion of the Corporation's operating base, all partly offset by lower production at comparable wind power assets in France and the U.S. hydroelectric facilities.

Revenues from energy sales and feed-in premium

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

(in millions of Canadian dollars)	Wind	Hydro	Other segments	**Combined**
THREE-MONTH PERIOD ENDED DECEMBER 31, 2019	182	22	8	**212**
Segment breakdown	86%	10%	4%	**100%**
Acquisitions/commissioning[1]	9	—	—	**9**
Volume[2]	5	(1)	—	**4**
Foreign exchange effect	6	—	—	**6**
Pricing	(1)	(3)	—	**(4)**
Other[3]	1	(3)	—	**(2)**
Change	20	(7)	—	**13**
THREE-MONTH PERIOD ENDED DECEMBER 31, 2020	202	15	8	**225**
Segment breakdown	89%	7%	4%	**100%**

(1) See the *Acquisitions and commissioning* table in the *Overview of past three fiscal years* section.
(2) Excluding temporary shutdowns and *resumptions*.

During the fourth quarter of 2020, the contributions to revenues from energy sales from the wind farms of the Joint Ventures and associates were down $1 million or 4% compared with the corresponding quarter of 2019, bringing the increase in revenues on a Combined basis to $13 million compared with $14 million under IFRS.

EBITDA(A)[1]

Main differences in EBITDA(A)

(in millions of Canadian dollars)	Wind	Hydro	Other segments	Corporate and eliminations	**Combined**
THREE-MONTH PERIOD ENDED DECEMBER 31, 2019	166	17	2	(20)	**165**
Segment breakdown[2]	90%	9%	1%		**100%**
Acquisitions/commissioning[3]	8	—	—	—	**8**
Volume[4]	5	(1)	—	—	**4**
Pricing	(1)	(3)	—	—	**(4)**
Disposal of land (2019)	(6)	—	—	—	**(6)**
Foreign exchange effect	5	—	—	(1)	**4**
Other[5]	(5)	(3)	(1)	(7)	**(16)**
Change	6	(7)	(1)	(8)	**(10)**
THREE-MONTH PERIOD ENDED DECEMBER 31, 2020	172	10	1	(28)	**155**
Segment breakdown[2]	94%	6%	—%		**100%**

(1) See the *Non-IFRS measures* section.
(2) Excluding the corporate segment and eliminations.
(3) See the *Acquisitions and commissioning* table in the *Overview of past three fiscal years* section.
(4) Excluding temporary shutdowns and resumptions.
(5) Includes the differences related to payroll, maintenance costs and compensations for prior production limitations.

The contribution of the Joint Ventures and associates to EBITDA(A) was down $2 million or 5% in the fourth quarter of 2020 compared with a year earlier, bringing the decrease in EBITDA(A) to 6% on a Combined basis, compared with a 4% decrease under IFRS. In other words, the decline in the contribution from the Joint Ventures and associates in the fourth quarter of 2020 compounded other factors resulting in lower EBITDA(A) under IFRS, such as unfavourable differences resulting from lower prices mainly for the sale of hydroelectric power, the disposal of land in Scotland in 2019 and various other items including higher maintenance expenses and payroll, all of which were partly offset by the contribution from facilities acquired and commissioned since the fourth quarter of 2019.

Analysis of consolidated operating results for the year ended December 31, 2020 - Combined

Combined

Total power production

(GWh)	Cumulative 2020				Cumulative 2019				Change	
	Canada	France	United States	Total	Canada	France	United States	Total	in GWh	%
Wind										
Comparable assets[1]	2,452	2,126	—	4,578	2,461	1,981	—	4,442	136	3
Acquisition - LP I, DM I and II	44	—	—	44	—	—	—	—	44	—
Commissioning[2]	67	188	—	255	40	69	—	109	146	>100
Temporary shutdown - Cham Longe I	—	24	—	24	—	56	—	56	(32)	(57)
Wind - total	2,563	2,338	—	4,901	2,501	2,106	—	4,607	294	6
Hydroelectric										
Comparable assets	201	—	337	538	209	—	467	676	(138)	(20)
Commissioning - Yellow Falls	80	—	—	80	47	—	—	47	33	69
Temporary shutdown - Buckingham	128	—	—	128	33	—	—	33	95	>100
Hydroelectric - total	409	—	337	746	289	—	467	756	(10)	(1)
Thermal	135	31	—	166	127	31	—	158	8	5
Solar	—	21	—	21	1	22	—	23	(2)	(6)
Total[1]	3,107	2,390	337	5,834	2,918	2,159	467	5,544	290	5

(1) Includes the compensation for the equivalent of 181 GWh in light of the capacity limitation imposed on the NRWF facility for fiscal 2020 (175 GWh for fiscal 2019).
(2) See the *Acquisitions and commissioning* table in the *Overview of past three fiscal years* section.

On a Combined basis, power generation amounted to 5,834 GWh for the year ended December 31, 2020, up 290 GWh or 5% compared with 2019. As the facilities of the Joint Ventures and associates experienced less favourable weather conditions than a year earlier and given the repurchase of the interests in LP I and DM I and II as mentioned earlier, this increase was driven mainly by better performance at comparable wind power assets in France, primarily during the first quarter, and the commissioning of new wind and hydroelectric power facilities.

Revenues from energy sales and feed-in premium

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

(in millions of Canadian dollars)	Wind	Hydro	Other segments	**Combined**
YEAR ENDED DECEMBER 31, 2019	594	60	33	**687**
Segment breakdown	86%	9%	5%	**100%**
Acquisitions/commissioning[1]	21	2	—	**23**
Volume[2]	19	(6)	—	**13**
Temporary shutdowns and resumptions	(1)	7	—	**6**
Pricing	—	—	(3)	**(3)**
Foreign exchange effect	8	—	—	**8**
Other[3]	4	—	—	**4**
Change	51	3	(3)	**51**
YEAR ENDED DECEMBER 31, 2020	645	63	30	**738**
Segment breakdown	87%	9%	4%	**100%**

(1) See the *Acquisitions and commissioning* table in the *Overview of past three fiscal years* section.
(2) Excluding temporary shutdowns and resumptions.
(3) Including differences related to insurance proceeds for several wind power stations following incidents and compensation for a prior production limitation.

During the year ended December 31, 2020, the contributions to revenues from energy sales by the wind farms of the Joint Ventures and associates declined $4 million or 4% compared with 2019 resulting from less favourable wind conditions than in the previous year. Accordingly, the 7% growth in revenues on a Combined basis continues to result from favourable differences, as noted in the IFRS section, owing to better wind conditions at French wind farms during the first quarter and to an expanded operating asset base in the wind and hydroelectric power segments.

EBITDA(A)[1]

Main differences in EBITDA(A)

(in millions of Canadian dollars)	Wind	Hydro	Other segments	Corporate and eliminations	**Combined**
YEAR ENDED DECEMBER 31, 2019	499	44	11	(62)	**492**
Segment breakdown[5]	90%	9%	1%		**100%**
Acquisitions/commissioning[2]	16	2	—	—	**18**
Volume[3]	19	(7)	—	—	**12**
Temporary shutdowns and resumptions	(1)	7	—	—	**6**
Pricing	—	—	(3)	—	**(3)**
Development	4	—	(2)	—	**2**
Foreign exchange	8	—	—	(1)	**7**
Disposal of land (2019)	(6)	—	—	—	**(6)**
Other[4]	2	(1)	(1)	(15)	**(15)**
Change	42	1	(6)	(16)	**21**
YEAR ENDED DECEMBER 31, 2020	541	45	5	(78)	**513**
Segment breakdown[5]	92%	8%	—%		**100%**

(1) See the *Non-IFRS measures* section.
(2) See the *Acquisitions and commissioning* table in the *Overview of past three fiscal years* section.
(3) Excluding temporary shutdowns and resumptions.
(4) Including differences related to payroll, maintenance costs, revenues following the repatriation of LP I maintenance work in-house and compensation for prior production limitations.
(5) Excluding the corporate segment and eliminations.

The contribution to EBITDA(A) of the Joint Ventures and associates declined by $5 million or 5% during the year ended December 31, 2020 compared with a year earlier. The 4% growth in EBITDA(A) on a Combined basis was therefore mainly attributable to the additional $18 million in EBITDA(A) resulting from the expansion of the operating base since the start of 2019. In addition, there was a volume effect of $12 million given the performance of comparable assets, mainly in France, a net favourable difference related to temporary shutdowns and resumptions of $6 million and a $3 million reduction in development costs following the health crisis. These items were partially offset by a $3 million unfavourable difference related to pricing changes, by the impact of the gain on disposal of land in Scotland in 2019 and by various other items including higher maintenance costs and payroll.

Non-IFRS measures

Performance measures

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

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

Reconciliation between IFRS and Combined information

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

Consolidated

		2020			2019	
(in millions of Canadian dollars)	IFRS	Reconciliation[1]	Combined	IFRS	Reconciliation[1]	Combined
Three-month period ended December 31:						
Power production (GWh)	1,468	295	1,763	1,364	313	1,677
Revenues from energy sales and feed-in premium	193	32	225	179	33	212
EBITDA(A)	137	18	155	143	22	165
Net earnings (loss)	30	6	36	(23)	8	(15)
Net cash flows related to operating activities	59	22	81	58	(6)	52
Cash flows from operations	101	17	118	119	(3)	116
Year ended December 31:						
Power production (GWh)	4,727	1,107	5,834	4,371	1,173	5,544
Revenues from energy sales and feed-in premium	619	119	738	564	123	687
EBITDA(A)	434	79	513	402	90	492
Net earnings (loss)	61	(5)	56	(43)	—	(43)
Net cash flows related to operating activities	362	37	399	294	9	303
Cash flows from operations	338	40	378	310	17	327
As at December 31:						
Total assets	5,314	439	5,753	4,557	689	5,246
Debt[2]	3,516	354	3,870	3,067	593	3,660

(1) Includes the respective contribution of Joint Ventures and associates as a percentage of Boralex's interest less adjustments to reverse recognition of these interests under IFRS.
(2) Includes *Debt* and *Current portion of debt.*

Wind

(in millions of Canadian dollars)	2020 IFRS	2020 Reconciliation[1]	2020 Combined	2019 IFRS	2019 Reconciliation[1]	2019 Combined
Three-month period ended December 31:						
Power production (GWh)	1,152	295	1,447	1,038	313	1,351
NRWF compensation	76	—	76	64	—	64
	1,228	295	1,523	1,102	313	1,415
Revenues from energy sales and feed-in premium	170	32	202	149	33	182
EBITDA(A)	155	17	172	145	21	166
Year ended December 31:						
Power production (GWh)	3,613	1,107	4,720	3,259	1,173	4,432
NRWF compensation	181	—	181	175	—	175
	3,794	1,107	4,901	3,434	1,173	4,607
Revenues from energy sales and feed-in premium	526	119	645	471	123	594
EBITDA(A)	464	77	541	412	87	499

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

EBITDA(A)

EBITDA(A) represents earnings before interest, taxes and depreciation, adjusted to exclude other items such as acquisition costs, other gains, net loss (gain) on financial instruments and foreign exchange loss (gain), the last two items being included under Other. 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 (loss), 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, and are presented in the following table.

		2020			**2019**	
(in millions of Canadian dollars)	**IFRS**	**Reconciliation[1]**	**Combined**	**IFRS**	**Reconciliation[1]**	**Combined**
Three-month period ended December 31:						
Net earnings (loss)	30	6	36	(23)	8	(15)
Income tax recovery	(5)	2	(3)	—	—	—
Financing costs	30	8	38	40	10	50
Amortization	62	11	73	56	12	68
Impairment	6	—	6	53	—	53
EBITDA	123	27	150	126	30	156
Adjustments:						
Acquisition costs	4	—	4	—	—	—
Other gains	—	(1)	(1)	—	(1)	(1)
Excess of distributions received over the share in net earnings of Joint Venture SDB I	8	(8)	—	8	(8)	—
Loss on deemed disposal of interests in the Joint Ventures	7	—	7	—	—	—
Other	(5)	(1)	(6)	9	1	10
EBITDA(A)	137	17	154	143	22	165
Year ended December 31:						
Net earnings (loss)	61	(5)	56	(43)	—	(43)
Income tax expense (recovery)	5	(1)	4	(5)	—	(5)
Financing costs	113	34	147	143	36	179
Amortization	237	47	284	244	55	299
Impairment	7	—	7	55	—	55
EBITDA	423	75	498	394	91	485
Adjustments:						
Acquisition costs	4	—	4	—	—	—
Other gains	(1)	(2)	(3)	(1)	(2)	(3)
Excess of distributions received over the share in net earnings of Joint Venture SDB I	(6)	6	—	—	—	—
Loss on deemed disposal of interests in the Joint Ventures	7	—	7	—	—	—
Other	7	—	7	9	1	10
EBITDA(A)	434	79	513	402	90	492

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

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:

	2020			2019		
(in millions of Canadian dollars)	IFRS	Reconciliation[1]	Combined	IFRS	Reconciliation[1]	Combined
Three-month period ended December 31:						
Net cash flows related to operating activities	59	22	81	58	(6)	52
Change in non-cash items related to operating activities	42	(5)	37	61	3	64
CASH FLOWS FROM OPERATIONS	101	17	118	119	(3)	116
Year ended December 31:						
Net cash flows related to operating activities	362	37	399	294	9	303
Change in non-cash items related to operating activities	(24)	3	(21)	16	8	24
CASH FLOWS FROM OPERATIONS	338	40	378	310	17	327

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

Net debt ratio

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

The Corporation defines net debt as follows:

	IFRS		Combined	
(in millions of Canadian dollars)	As at December 31, 2020	As at December 31, 2019	As at December 31, 2020	As at December 31, 2019
Debt	3,287	2,895	3,620	3,460
Current portion of debt	229	172	247	200
Transaction costs, net of accumulated amortization	93	82	105	97
Less:				
Cash and cash equivalents	275	153	293	167
Restricted cash	2	15	2	22
Net debt	3,332	2,981	3,677	3,568

The Corporation defines total market capitalization as follows:

	IFRS		Combined	
(in millions of Canadian dollars, unless otherwise specified)	As at December 31, 2020	As at December 31, 2019	As at December 31, 2020	As at December 31, 2019
Number of outstanding shares (in thousands)	102,617	96,464	102,617	96,464
Share market price (in $ per share)	47.24	24.46	47.24	24.46
Market value of equity attributable to shareholders	4,848	2,360	4,848	2,360
Non-controlling shareholders	2	15	2	15
Net debt	3,332	2,981	3,677	3,568
Total market capitalization	8,182	5,356	8,527	5,943

The Corporation computes the net debt ratio as follows:

	IFRS		Combined	
(in millions of Canadian dollars, unless otherwise specified)	As at December 31, 2020	As at December 31, 2019	As at December 31, 2020	As at December 31, 2019
Net debt	3,332	2,981	3,677	3,568
Total market capitalization	8,182	5,356	8,527	5,943
NET DEBT RATIO (market capitalization)	41%	56%	43%	60%

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.

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

Payout ratio

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

In the medium-term, Boralex expects to pay common share dividends on an annual basis representing a ratio of approximately 40% to 60% of its discretionary cash flows. For the twelve-month period ended December 31, 2020, the dividends paid to shareholders by the Corporation corresponded to 45% of discretionary cash flows.

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

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

	IFRS			
	Three-month periods ended		Years ended	
(in millions of Canadian dollars, unless otherwise specified)	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Cash flows from operations	101	119	338	310
Repayments on non-current debt (projects)[1]	(40)	(37)	(175)	(176)
Adjustment for non-recurring items[3]	7	(14)	(17)	(14)
	68	68	146	120
Principal payments related to lease liabilities	(4)	(3)	(11)	(10)
Distributions paid to non-controlling shareholders	(1)	(1)	(6)	(7)
Additions to property, plant and equipment (maintenance of operations)	(3)	(2)	(6)	(7)
Development costs (from statement of earnings)	7	6	23	24
Discretionary cash flows	67	68	146	120
Dividends paid to shareholders	17	16	66	60
Weighted average number of outstanding shares – basic (in thousands)	102,571	94,685	98,548	90,605
Discretionary cash flows - per share	$0.65	$0.72	$1.48	$1.33
Dividends paid to shareholders – per share	$0.165	$0.165	$0.660	$0.660
Payout ratio			45%	50%

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

(2) For the year ended December 31, 2020: Favourable adjustment of $5 million comprised mainly of interest paid on LP I, DM I and II debt for the months prior to the acquisition in the fourth quarter of 2020 and a one-time payment in the fourth quarter of 2020, less $22 million in debt repayments to reflect a normalized debt service following debt refinancing in France in the first quarter of 2020. In 2019, adjustment for a $15 million exceptional distribution received following the LP I debt refinancing.

Commitments and contingencies

	Note	Payments Current portion	From 1 to 5 years	Over 5 years	Total
Purchase and construction contracts	(a)	82	3	—	85
Maintenance contracts	(b)	28	74	74	176
Contingent consideration	(c)	10	16	—	26
Other	(d)	6	11	25	42
		126	104	99	329

(a) Purchase and construction contracts

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

(b) Maintenance contracts

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

(c) Contingent consideration

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

(d) Other commitments

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

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

Energy sales contracts

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

		Contract term
Wind	Canada	2029 - 2059
	France	2021 - 2040
Hydroelectric	Canada	2023 - 2059
	United States	2034 - 2035

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

Contingencies

COVID-19 outbreak

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

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

Since restrictions were enforced by authorities to combat COVID-19, Boralex implemented a crisis management plan for continuity of its business, considered essential in all the regions it operates. Administrative personnel have been working remotely since mid-March 2020 and we continue to support operations in their day-to-day needs and comply with the Corporation's different business and regulatory requirements. The Corporation pays special attention to its employees' mental health through its communications and during regular employee meetings held within their respective work teams.

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

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

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

France – Contingency

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

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

Canada – Contingencies

Local content

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

In accordance with customary practices, in circumstances where the compliance or non-compliance with local content requirements under an energy sales contract primarily depends on the wind turbine manufacturer’s compliance, the Québec projects of Boralex had obtained a commitment from Enercon Canada inc. (“Enercon Canada”) to pay any associated penalties. Enercon Canada’s obligations under the wind turbine purchase contracts are guaranteed by its parent company, Enercon GmbH. There is a dispute between Hydro-Québec on one hand, and Enercon Canada and Enercon GmbH on the other hand, regarding in particular the costing calculation methodology for wind turbines and wind 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 held 51% of the outstanding units at the time and holds 100% of the outstanding units as of November 30, 2020), Enercon Canada and Enercon GmbH to determine the applicable calculation methodology and to obtain documents in the possession of Enercon Canada and Enercon GmbH. The application also seeks to order the defendants, *in solidum*, to pay Hydro-Québec an amount of less than $1 million together with interest and additional indemnities. Hydro-Québec specifies that this amount represents the minimum penalty only, that is, the difference of one percentage point between the regional content requirements and the regional content actually achieved, and that this amount needs to be adjusted as it considers that the actual difference is greater than one percentage point.

Le Plateau Wind Power L.P. impleaded Enercon Canada and Enercon GmbH in warranty under the turbine purchase agreement, requiring Enercon Canada and Enercon GmbH to pay the applicable penalties. Moreover, Enercon contends that Invenergy Wind Canada Development ULC (“Invenergy”) failed to meet its obligations under a separate agreement, which constituted a quid pro quo for Enercon Canada in respect of its commitment to increase guaranteed regional content to 51%. In the circumstances, Invenergy made an application for voluntary intervention on the grounds of this allegation by Enercon. All actions filed will be dealt with simultaneously in order to settle the issue. In the event of non-payment, Hydro-Québec Distribution may exercise its right to offset any penalty against the amounts payable to Le Plateau Wind Power L.P. for the energy delivered by the wind farm in question, which would affect the revenues received by those wind farms until Enercon Canada and Enercon GmbH have paid the penalties in full. It should be noted that such amounts deducted by Hydro-Québec should be limited to an amount that would not cause a default on the payment under the facility's credit agreement. Based on the above information and at this stage of the matter, the Corporation is not able to determine the eventual outcome of this dispute or to reliably estimate the amount of penalties to be claimed due to the preliminary stage of the matter. However, in the Corporation’s opinion, it is not likely that it would be subject to significant penalties, if any, under these energy sales contracts. Accordingly, no contingent loss has been recognized with respect to this contingency in the consolidated statements of earnings.

Canada – DM I

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

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

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

Subsequent event

Acquisition of interests in seven solar power stations in the United States

On January 29, 2021 and as announced in December 2020, the Corporation acquired the majority interests in a portfolio of seven solar power stations in the United States for a cash consideration of $277 million (US$216.5 million), subject to adjustments provided for in the acquisition agreements. The Corporation's interest in these power stations in operation represents 209 MWac, while the interests acquired represent a net installed capacity of 118 MWac for Boralex. Five of the solar power stations are located in California, one in Alabama and the other in Indiana. They were commissioned between 2014 and 2017 and are covered by long-term power purchase agreements expiring between 2029 and 2046 with a weighted average remaining term of nearly 21.5 years. As at December 31, 2020 transaction costs amounted to $3 million.

At the same time as the acquisition, Boralex closed a long-term financing arrangement of $201 million (US$145 million). The loan interest rate is variable and is based on the LIBOR, plus a margin. The Corporation entered into an interest rate swap for this loan to cover approximately 90% of expected future interest cash flows. With this swap, the fixed portion of the rate is set at 2.51%. The loan, which covers about 71% of the acquisition price, will be amortized by quarterly payments over a 25-year period.

The Corporation is currently assessing the fair value of net assets acquired and will publish the preliminary purchase price allocation with fiscal 2021 first quarter results.

Risk factors

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

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

The Corporation's ability to implement its strategic plan

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

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

Industry risk and competition

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

Segment and geographical diversification

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

Relationships with stakeholders

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

Ability to secure appropriate land

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

Development, construction and design

The Corporation participates in the construction and development of new power generating facilities. Delays and cost overruns may occur during the construction phase of development projects, in particular delays in obtaining permits, key supplier withdrawal, increases in construction prices or changes in engineering design, labour conflicts, inclement weather and the availability of financing. Even when completed, a facility may not operate as planned, or design and manufacturing flaws may occur, which could conceivably not be covered by warranty, due in particular to poor equipment performance. Development projects have no operating history and may employ recently developed, technologically complex equipment.

Moreover, energy sales contracts entered into with counterparties early in the development phase of a project may enable counterparties to terminate the agreement or retain security posted as liquidated damages, if a project fails to achieve commercial operation or certain operating levels by specified dates or if the Corporation fails to make specified payments. As a result, a new facility may be unable to fund principal and interest payments under its financing obligations. A default under such a financing obligation could result in the Corporation losing its interest in such a facility.

Acquisitions

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

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

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

Equipment supply

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

Raw material supply

The operation of thermal power stations, which represented 2% of the total installed net capacity as at February 24, 2021, requires fuel in the form of wood residue or natural gas. In the event of an interruption in supplies, loss of significant supply contracts or the inability or failure of a supplier to meet its contractual commitments, or a change in the price of wood residue or natural gas for the Corporation’s power stations, their ability to generate power or produce it in a profitable manner will be adversely affected. The Corporation mitigates this risk by establishing partnerships with suppliers and seeking alternatives to virgin residue as fuel, as well as by adopting storage strategies that help avoid purchasing during periods when raw materials are scarce, and prices therefore are high. Upon expiry or termination of fuel supply contracts, the Corporation will have to either renegotiate them or obtain fuel from other suppliers. There can be no assurance that the Corporation will be able to renegotiate these contracts or enter into new contracts on similar or other desirable terms.

COVID-19 outbreak

The Corporation is monitoring the outbreak of COVID-19 coronavirus. The implementation of health measures by authorities to limit the virus from spreading can slow new project development activities. Current business disruptions could impact our suppliers which in turn could impact the operating results of the Corporation. Should the outbreak become more wide-spread, procurement of equipment and spare parts may be impacted and construction, operation and maintenance of the Corporation’s assets may be halted or delayed and negatively impact the business, financial condition and results of operations of the Corporation.

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

Seasonal factors

By the nature of its business, the Corporation’s earnings are sensitive to changes in climate and weather conditions from period to period. Changes in winter weather affect demand for electrical heating requirements. Changes in summer weather affect demand for electrical cooling requirements. These fluctuations in demand, primarily in the Northeastern United States where the Corporation operates hydroelectric facilities, moreover translate into spot market price volatility, which has an impact, albeit limited, on approximately 2% of the Corporation’s total installed capacity.

Hydrology, wind and sunshine

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

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

The hydroelectric, wind and solar resources of the Corporation's hydroelectric power stations, wind farms and solar power facilities will vary. Although the Corporation believes that past resource studies and production data collected demonstrate that the sites are economically viable, the climate regime may change or historical data and engineering forecasts may not accurately reflect the strength and consistency of resources in the future. Climate change could affect historical trends in water flow, wind and sunlight conditions and their long-term predictability.

If resources are insufficient, the assumptions underlying the financial projections for the volume of electricity to be produced by renewable energy facilities might not materialize, which could have a material adverse effect on the Corporation's cash flows and profitability.

Climate change

Climate change could result in extreme weather conditions such as floods, droughts, icy conditions and high winds, which could cause unforeseen changes to hydroelectric, wind and solar resources and adversely impact the Corporation’s power production, operating results and cash flows. Energy consumption could also be impacted.

Climate change could cause fires or floods that could threaten our facilities or our ability to access them.

Power station operation and equipment failure

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

Availability and reliability of electric transmission systems

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

Dam safety

Hydroelectric power stations in Québec, which represented 2% of total installed capacity as at December 31, 2020, are subject to the *Dam Safety Act* and its regulation. Depending on the region where the power stations are located, dams must comply with some criteria defined in this Act. Generally speaking, once the Corporation's recommendations are accepted by the Ministère de l'Environnement et de la Lutte contre les changements climatiques, an action plan is prepared reflecting the relative urgency of the work required. The Corporation is also subject to disclosure requirements and regulations relating to the monitoring of structural integrity of the power stations it operates in British Columbia and the United States.

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

Energy sales contracts

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

Price risk

In Northeastern United States and in France, a portion of the Corporation's power production is sold at market prices or under short-term contracts and is accordingly subject to fluctuations in energy prices. In addition, the Corporation estimates that 368 MW (15% of installed capacity) covered by contracts expiring through December 2025 will then be sold at market prices. In France, rates stipulated in feed-in-premium contracts are set according to electricity market prices, plus a feed-in premium.

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

Non-performance by counterparties

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

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

Ability to attract and retain management, key employees and staff

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

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

Additional financing and debt

The Corporation's projects require significant capital. The Corporation expects to finance the future development and construction of new facilities, the growth of projects under development and potential projects and other capital expenditures from cash flows from operating activities and also partly from borrowings or the issuance or sale of additional shares by the Corporation.

To the extent that external sources of capital, including the issuance of additional securities of the Corporation, become limited, unavailable, or unavailable under reasonable terms and conditions, the Corporation's ability to make the necessary capital investments to build new power stations or maintain its existing power stations and remain in business would be impaired.

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

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

Restrictive covenants

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

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

There is a risk that a loan may go into default if the Corporation does not fulfil its commitments and obligations or fails to meet the financial and other restrictive covenants contained in the instruments governing such loan, which may prevent cash distributions by the project or the project operating entity and result in the lender realizing on its security and, indirectly, causing the Corporation to lose its ownership or possession of such project, which could have a material adverse effect on the business, results of operations and financial position of the Corporation.

Liquidity risks related to derivative financial instruments

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

Interest rate and refinancing

Given the high-leverage financing strategy used by the Corporation, interest rate fluctuations are a factor which may materially affect its profitability. When a loan is taken on a variable rate basis, in order to limit the effect of changes in interest rates, the Corporation simultaneously arranges interest rate swaps covering a significant portion of the corresponding loan. The hedged portion is typically between 75% and 90% of anticipated variable interest cash flows and the duration of the instrument is generally aligned with the amortization period of the loans, which limits the risk related to the changes in benchmark rates when refinancing. As at December 31, 2020, excluding the revolving credit and subordinated debt, and given the effect of the interest rate swaps in force, only about 13% and 12% of the total debt was exposed to interest rate fluctuations under IFRS and on a Combined basis.

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

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

Foreign exchange risk

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

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

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

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

Declaration of dividends

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

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

Health, safety and environmental risks

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

Regulatory and political environment

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

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

The Corporation's operations are also subject to changes in governmental regulatory requirements, including environment and energy-related regulations, unforeseen environmental effects and other matters beyond the control of the Corporation. The operation of power stations is subject to extensive regulation by various government agencies at the municipal, provincial and federal levels. Currently unregulated operations may become regulated. Because legal requirements change frequently and are subject to interpretation, the Corporation is unable to predict the ultimate cost of compliance with these requirements or their effect on operations. Some of the Corporation's operations are regulated by government agencies that exercise statutory discretion. Because the scope of such discretionary authority is uncertain and may be inconsistently applied, the Corporation is unable to predict the ultimate cost of compliance with such requirements or their effect on operations. Failure of the Corporation to obtain or maintain all necessary licenses, leases or permits, including renewals thereof or modifications thereto, may adversely affect its ability to generate revenues.

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

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

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

Social acceptance of renewable energy projects

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

Litigation

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

Information systems and cybersecurity

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

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

Natural disasters and force majeure events

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

Insurance limits

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

Damage to reputation

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

Factors of uncertainty

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

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

Main sources of uncertainty relating to management's key estimates

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

Recoverable amount - Impairment of assets

Every year, on August 31, management tests its CGUs and groups of CGUs for impairment with respect to intangible assets with indefinite useful lives and *Goodwill*. Also, at each reporting date, if any evidence of impairment exists, the Corporation must perform impairment tests on its assets with indefinite and finite useful lives and *Goodwill* to assess whether their carrying amounts are recoverable. Recoverable amounts are determined based on discounted cash flows projected over the terms of projects using rates that factor in current economic conditions and management's estimates based on past experience. Expected future cash flows are inherently uncertain and could materially change over time. They are significantly affected by a number of key estimates, including anticipated production, earnings, costs and discount rates. Impairment tests require the use of various assumptions based on management's best estimates including in particular discount rates and anticipated production. For fair value measurement of Level 3 financial instruments, the Corporation uses measurement techniques to determine fair value less costs of disposal.

Discount rate

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

Anticipated production

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

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

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

Lease liabilities

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

Decommissioning liability

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

Fair value of financial instruments

Fair value is determined using discounted cash flow models. Fair value determined using such valuation models requires the use of assumptions concerning the amount and timing of estimated future cash flows, as well as for numerous other variables. These assumptions are determined using external, readily observable market inputs. Since they are based on estimates, fair values may not be realized in an actual sale or immediate settlement of the instruments. See note 20 of these financial statements for a more detailed explanation of the bases for the calculations and estimates used.

Fair value of business combinations

The Corporation makes a number of key assumptions when allocating fair values to the assets and liabilities acquired in a business acquisition. Fair values are estimated using valuation techniques, such as the discounted cash flows method, that take into account key assumptions such as anticipated production, earnings, costs and discount rate.

Main sources of uncertainty relating to management's key judgments

Evidence of asset impairment

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

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

Determining the development phase

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

Business combination or asset acquisition

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

Consolidation

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

Accounting policies

Change in accounting estimates

Change in useful life of certain wind turbine components

Management has reassessed the useful life of certain components for the wind power stations with concrete towers. As of October 1, 2020, the estimated useful life of most of the components will be 30 years. This change in amortization period reflects the best estimate by the management of the Corporation considering recently available expert reports that support this revision in estimated useful life, based on the current conditions of the wind assets. This prospective change in accounting estimate resulted in a $2 million decrease in amortization expense and a negligible impact on the share in earnings of the Joint Ventures and associates, giving rise to a $2 million increase in net earnings before income taxes for the fiscal year ended December 31, 2020.

In 2021, the amortization expense will decrease by approximately $13 million and the share in earnings of the Joint Ventures and associates will increase by approximately $1 million, for a total impact of $14 million on the Corporation's net earnings (loss) before income taxes.

Changes in accounting policies

IFRS 3, Business Combinations

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3, *Business Combinations*. The amendments are intended to assist entities in determining whether a transaction should be accounted for as a business combination or as a group of assets. The amendments apply prospectively to acquisitions made during annual periods beginning on or after its implementation. The amendments are effective for annual periods beginning on or after January 1, 2020, the date at which the Corporation adopted this standard.

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

In October 2018, the IASB issued amendments to IAS 1, *Presentation of Financial Statements*, and IAS 8, *Accounting Policies*, *Changes in Accounting Estimates and Errors*, to align the definition of “material” across the standards and to clarify certain aspects of the definition. The amendments are intended to improve financial reporting by promoting a better understanding of the existing requirements and should not significantly impact an entity’s materiality judgments. The amendments apply prospectively to annual periods beginning on or after its implementation. The amendments are effective for annual periods beginning on or after January 1, 2020, the date at which the Corporation adopted this standard, and this change had no material impact on the Corporation’s consolidated financial statements.

Conceptual Framework for Financial Reporting

In March 2018, the IASB issued a comprehensive set of concepts for financial reporting: the revised *Conceptual Framework for Financial Reporting* (“*Conceptual Framework*”), which replaces its previous version. It assists companies in developing accounting policies when no IFRS standard applies to a particular transaction and more broadly helps stakeholders to better understand the standards. The amendments are effective for annual periods beginning on or after January 1, 2020, the date at which the Corporation adopted this new framework, and this change had no material impact on the Corporation’s consolidated financial statements.

IFRS 16, Leases

In response to the COVID-19 pandemic, IASB released amendments to IFRS 16, *Leases*, allowing entities not to consider rent concessions received arising from the pandemic as contract amendments under certain conditions. During the fiscal year, the Corporation early adopted this amended standard and this change had no impact on the Corporation's consolidated financial statements as no such concessions were received.

Future changes in accounting policies

Amendments to IAS 39, IFRS 9 and IFRS 7 (Interest Rate Benchmark Reform - Phase 2)

In August 2020, the IASB issued Interest Rate Benchmark Reform - Phase 2, which amends IFRS 9, *Financial instruments*, IAS 39, *Financial Instruments: Recognition and Measurement*, IFRS 7, *Financial Instruments: Disclosures*, IFRS 4, *Insurance Contracts* and IFRS 16, *Leases*. The amendments included in Phase 2 address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. These amendments complete those issued in 2019 and focus on issues that might affect financial reporting during the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate (replacement issues). The amendments are effective for annual periods beginning on or after January 1, 2021. The Corporation is currently assessing the extent of the impact of this change on its 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.

The Chief Executive Officer and the Chief Financial Officer have evaluated the effectiveness of Boralex's DC&P and ICFR as at December 31, 2020, and have concluded that they are effective.

During the three-month period ended December 31, 2020, no changes were made to ICFR that have materially affected, or are reasonably likely to affect, ICFR.

Consolidated financial statements

Management's report

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

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

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

(s) Patrick Decostre

Patrick Decostre

President and Chief Executive Officer

(s) Bruno Guilmette

Bruno Guilmette

Vice-President and Chief Financial Officer

Montréal, Canada

February 24, 2021

Independent auditor's report

To the Shareholders of Boralex Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Boralex Inc. and its subsidiaries (together, the Company) as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2020 and 2019;
- the consolidated statements of profit or loss for the years ended;
- the consolidated statements of comprehensive income for the years ended;
- the consolidated statements of changes in equity for the years ended;
- the consolidated statements of cash flows for the years ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of intangible assets acquired in the business combination of Le Plateau I, Des Moulins I and Des Moulins II wind farms *Refer to Note 3 – Significant accounting policies, Note 4 – Main sources of uncertainty and Note 5 – Business combinations to the consolidated financial statements.* On November 30, 2020, the Company acquired a 49% interest in the Le Plateau I, Des Moulins I and Des Moulins II wind farms, in which the Company already held a 51% interest, for a cash consideration of $121 million ($98 million, net of cash acquired). The preliminary fair value of assets acquired included $336 million of energy sales contracts. The determination of the fair value of the intangible assets, using a discounted cash flows model, included the following key assumptions: anticipated production, earnings, costs and discount rate. We considered this a key audit matter due to the significant judgment applied by management in estimating the fair value of intangible assets, including the development of key assumptions. This, in turn, led to a high degree of auditor judgment and subjectivity in performing procedures relating to the key assumptions applied by management. Professionals with specialized skill and knowledge in the field of valuation assisted us in performing our procedures.	Our approach to addressing the matter included the following procedures, among others: • Tested how management estimated the fair value of intangible assets which included the following: – Read the purchase agreement to understand the transaction and key terms. – Tested the mathematical accuracy of the discounted cash flows model. – Tested the underlying data used by management in the discounted cash flows model. – Evaluated the reasonableness of the anticipated production, earnings and costs of the acquired business by considering the current and past performance of the acquired business. – Professionals with specialized skill and knowledge in the field of valuation assisted in evaluating the reasonableness of the discounted cash flows model used and the discount rate applied by management based on available data of comparable companies.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of indefinite life water rights and goodwill *Refer to Note 3 – Significant accounting policies, Note 4 – Main sources of uncertainty and Note 8 – Intangible assets and goodwill to the consolidated financial statements.* The Company had $38 million of indefinite life water rights and $222 million of goodwill as at December 31, 2020. Management conducts an impairment test as of August 31 of each year, or more frequently if events or circumstances indicate that the carrying value of indefinite life water rights or goodwill may not be recoverable. Indefinite life water rights and goodwill are monitored for impairment by management respectively on a cash generating unit (CGU) basis and group of CGUs basis. Where impairment exists, the indefinite life water rights and goodwill are written down to their recoverable amount. Recoverable amounts are determined using fair value less costs of disposal models. Key assumptions used when estimating recoverable amounts included anticipated production, earnings, costs and discount rates. We considered this a key audit matter due to the significant judgment applied by management in determining the recoverable amounts of CGUs or groups of CGUs, including the use of key assumptions. This has resulted in a high degree of subjectivity and audit effort in performing audit procedures to test the key assumptions. Professionals with specialized skill and knowledge in the field of valuation assisted us in performing our procedures.	Our approach to addressing the matter included the following procedures, among others: • Tested how management determined the recoverable amount of the CGU or groups of CGUs, which included the following: – Tested the mathematical accuracy and the underlying data used in the fair value less costs of disposal models. – Tested the reasonableness of the anticipated production, earnings and costs used in the fair value less costs of disposal models by considering the current and past performance of the CGU or groups of CGUs and whether they were aligned with evidence obtained in other areas of the audit. – Professionals with specialized skill and knowledge in the field of valuation assisted in evaluating the appropriateness of the fair value less costs of disposal models and the reasonableness of the discount rates applied by management based on available data of comparable companies.

Other information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(s) PricewaterhouseCoopers s.r.l./s.e.n.c.r.l.[1]

Montréal (Québec)

February 24, 2021

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

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Consolidated statements of financial position

(in millions of Canadian dollars)	Note	As at December 31, 2020	As at December 31, 2019
ASSETS			
Cash and cash equivalents		275	153
Restricted cash		2	15
Trade and other receivables		157	153
Other current financial assets	20	—	17
Other current assets		38	25
CURRENT ASSETS		472	363
Property, plant and equipment	6	3,112	2,715
Right-of-use assets	7	316	260
Intangible assets	8	1,027	700
Goodwill	8	222	188
Interests in the Joint Ventures and associates		74	236
Other non-current financial assets	20	70	76
Other non-current assets		21	19
NON-CURRENT ASSETS		4,842	4,194
TOTAL ASSETS		5,314	4,557
LIABILITIES			
Trade and other payables		161	118
Current portion of debt	9	229	172
Current portion of lease liabilities		13	11
Other current financial liabilities	20	—	3
CURRENT LIABILITIES		403	304
Debt	9	3,287	2,895
Lease liabilities		243	197
Deferred income tax liability	10	137	136
Decommissioning liability	11	128	90
Other non-current financial liabilities	20	100	38
Other non-current liabilities		25	22
NON-CURRENT LIABILITIES		3,920	3,378
TOTAL LIABILITIES		4,323	3,682
EQUITY			
Equity attributable to shareholders		989	860
Non-controlling shareholders		2	15
TOTAL EQUITY		991	875
TOTAL LIABILITIES AND EQUITY		5,314	4,557

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

The Board of Directors approved these audited annual consolidated financial statements on February 24, 2021.

(s) Alain Rhéaume

Alain Rhéaume, Director

(s) Lise Croteau

Lise Croteau, Director

Consolidated statements of earnings (loss)

(in millions of Canadian dollars, unless otherwise specified)	Note	2020	2019
REVENUES			
Revenues from energy sales		596	553
Feed-in premium		23	11
Revenues from energy sales and feed-in premium		619	564
Other income		14	10
		633	574
COSTS AND OTHER			
Operating	14	151	127
Administrative	14	44	35
Development		23	24
Amortization		237	244
Impairment	15	7	55
Other gains		(1)	(1)
		461	484
OPERATING INCOME		172	90
Acquisition costs	5, 26	4	—
Financing costs	16	113	143
Share in earnings of the Joint Ventures and associates		(25)	(14)
Loss on deemed disposal of interests in the Joint Ventures	5	7	—
Other		7	9
EARNINGS (LOSS) BEFORE INCOME TAXES		66	(48)
Income tax expense (recovery)	10	5	(5)
NET EARNINGS (LOSS)		61	(43)
NET EARNINGS (LOSS) ATTRIBUTABLE TO:			
Shareholders of Boralex		55	(39)
Non-controlling shareholders		6	(4)
NET EARNINGS (LOSS)		61	(43)
NET EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX – BASIC AND DILUTED	17	$0.55	($0.43)

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

Consolidated statements of comprehensive income (loss)

(in millions of Canadian dollars)	2020	2019
NET EARNINGS (LOSS)	61	(43)
Other comprehensive income (loss) to be subsequently reclassified to net earnings (loss) when certain conditions are met		
Translation adjustments:		
Unrealized foreign exchange gain (loss) on translation of financial statements of self-sustaining foreign operations	30	(44)
Net investment hedge:		
Change in fair value	(32)	30
Income taxes	4	(2)
Cash flow hedges:		
Change in fair value	(91)	(44)
Hedging items realized and recognized in net earnings (loss)	28	11
Income taxes	15	9
Cash flow hedges – Interests:		
Change in fair value	(26)	(10)
Hedging items realized and recognized in net earnings (loss)	14	4
Income taxes	3	1
Total other comprehensive loss	(55)	(45)
COMPREHENSIVE INCOME (LOSS)	6	(88)
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:		
Shareholders of Boralex	5	(82)
Non-controlling shareholders	1	(6)
COMPREHENSIVE INCOME (LOSS)	6	(88)

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

Consolidated statements of changes in equity

2020

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

2019

(in millions of Canadian dollars)	Equity attributable to shareholders: Capital stock	Equity component of convertible debentures	Contributed surplus	Accumulated deficit	Accumulated other comprehensive income (loss)	Total	Non-controlling shareholders	Total equity
BALANCE AS AT JANUARY 1, 2019	984	4	9	(123)	2	876	31	907
Impact of adopting IFRS 16 – net of taxes	—	—	—	(9)	—	(9)	(4)	(13)
BALANCE AS AT JANUARY 1, 2019 – RESTATED	984	4	9	(132)	2	867	27	894
Net loss	—	—	—	(39)	—	(39)	(4)	(43)
Other comprehensive loss	—	—	—	—	(43)	(43)	(2)	(45)
COMPREHENSIVE LOSS	—	—	—	(39)	(43)	(82)	(6)	(88)
Dividends (note 12)	—	—	—	(60)	—	(60)	—	(60)
Issuance of shares and conversion of convertible debentures (note 12)	138	(4)	—	—	—	134	—	134
Exercise of options (note 12)	3	—	—	—	—	3	—	3
Distributions paid to non-controlling shareholders	—	—	—	—	—	—	(7)	(7)
Other	—	—	—	(2)	—	(2)	1	(1)
BALANCE AS AT DECEMBER 31, 2019	1,125	—	9	(233)	(41)	860	15	875

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

Consolidated statements of cash flows

(in millions of Canadian dollars)	Note	2020	2019
Net earnings (loss)		61	(43)
Distributions received from the Joint Ventures and associates		32	54
Financing costs		113	143
Interest paid		(102)	(123)
Income tax expense (recovery)		5	(5)
Income taxes paid		(5)	(3)
Non-cash items in earnings (loss):			
Amortization		237	244
Share in earnings of the Joint Ventures and associates		(25)	(14)
Impairment		7	55
Loss on deemed disposal of interests in the Joint Ventures		7	—
Other		8	2
Change in non-cash items related to operating activities	18	24	(16)
NET CASH FLOWS RELATED TO OPERATING ACTIVITIES		362	294
Business acquisitions, net of cash acquired	5	(98)	—
Increase in the interests in the Joint Ventures and associates		—	(5)
Additions to property, plant and equipment		(145)	(159)
Proceeds from disposal of assets		—	13
Acquisition of energy sales contracts		(11)	(18)
Change in restricted cash		12	45
Change in reserve funds		3	28
Other		(8)	(4)
NET CASH FLOWS RELATED TO INVESTING ACTIVITIES		(247)	(100)
Increase in debt		413	1,411
Repayments on debt		(509)	(1,469)
Principal payments relating to lease liabilities	19	(11)	(10)
Distributions paid to non-controlling shareholders		(6)	(7)
Change in restricted cash - Lanouée forest		—	43
Redemption of convertible debentures		—	(8)
Dividends paid to shareholders		(66)	(60)
Shares issued		201	—
Debt and share issuance costs		(12)	(71)
Settlement on financial instruments		(9)	(22)
Other		(1)	4
NET CASH FLOWS RELATED TO FINANCING ACTIVITIES		—	(189)
TRANSLATION ADJUSTMENT ON CASH AND CASH EQUIVALENTS		7	(9)
NET CHANGE IN CASH AND CASH EQUIVALENTS		122	(4)
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR		153	157
CASH AND CASH EQUIVALENTS – END OF YEAR		275	153

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

Notes to consolidated financial statements

As at December 31, 2020

(in millions of Canadian dollars, unless otherwise specified)

Note 1. Incorporation and nature of business

Boralex Inc., its subsidiaries and its Joint Ventures and associates ("Boralex" or the "Corporation") are dedicated to the development, construction and operation of renewable energy power facilities. As at December 31, 2020, the Corporation had interests in 88 wind farms, 16 hydroelectric power stations, two thermal power stations and three solar power stations, representing an asset base with a net installed capacity under its control and Boralex's share in entities over which it does not have control totalling 2,246 megawatts ("MW"). In addition, Boralex currently has new projects under development, representing an additional 64 MW of power and a portfolio of secured projects amounting to 380 MW. The Corporation also operates two hydroelectric power stations on behalf of R.S.P. Énergie Inc., an entity of which one of the three shareholders is a director of the Corporation. Revenues from energy sales are generated mainly in Canada, France and the United States. Since December 31, 2020, the Corporation added, through an acquisition, seven solar power stations with an installed capacity of 209 MW, bringing the Corporation's net installed capacity to 2,455 MW as at February 24, 2021. For more information, refer to note 26, *Subsequent event*.

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

Note 2. Basis of presentation

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

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

Note 3. Significant accounting policies

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

Measurement basis

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

Basis of consolidation

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

Subsidiaries

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

The Corporation's main subsidiaries as at December 31, 2020 were as follows:

Name of subsidiary	Voting rights held	Location
Boralex Europe Sàrl	100%	Luxembourg
Boralex Energie Verte S.A.S.	100%	France
Boralex Energie France S.A.S.	100%	France
Boralex Sainte Christine S.A.S.	100%	France
Boralex Production S.A.S.	100%	France
Boralex Ontario Energy Holdings L.P.	100%	Canada
Boralex Ontario Energy Holdings 2 L.P.	100%	Canada
Éoliennes Témiscouata II L.P.	100%	Canada
Boralex Power Limited Partnership	100%	Canada
FWRN LP	50%	Canada
NR Capital	100%	Canada
Des Moulins Wind Power L.P. ("DM I and II") (1)	100%	Canada
Le Plateau Wind Power L.P. ("LP I") (1)	100%	Canada

(1) On November 30, 2020, the Corporation acquired control of these entities, which were subsidiaries as at December 31, 2020. For further information see note 5, *Business combinations.*

Joint Ventures and associates

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

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

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

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

Name of entity	Type of joint arrangement	% Boralex		Location
		2020	2019	
Seigneurie de Beaupré Wind Farms 2 and 3 General Partnership ("SDB I")	Joint venture	50.00%	50.00%	Canada
Seigneurie de Beaupré Wind Farm 4 General Partnership ("SDB II")	Joint venture	50.00%	50.00%	Canada
Le Plateau Community Wind Power L.P. ("LP II")	Joint venture	59.96%	59.96%	Canada
Roncevaux Wind Power L.P. ("Roncevaux")	Associate	50.00%	50.00%	Canada
Hecate Energy New York Holdings LLC ("Hecate")	Joint venture	50.00%	50.00%	United States
Des Moulins Wind Power L.P. ("DM I and II")	Joint venture	0.00% (1)	51.00%	Canada
Le Plateau Wind Power L.P. ("LP I")	Joint venture	0.00% (1)	51.00%	Canada
Jammerland Bay Nearshore AIS ("Denmark")	Joint venture	0.00% (2)	50.00%	Denmark

(1) On November 30, 2020, the Corporation became the sole owner of these entities. These entities were subsidiaries as at December 31, 2020.
(2) In 2020, the Corporation sold its interest in the joint venture.

Non-controlling shareholders

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

Business combinations

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

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

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

Foreign currency translation

Functional and reporting currency

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

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

Foreign currency transactions

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

Financial instruments

Classification

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

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

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

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

Measurement

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

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

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

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

Impairment

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

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

Derecognition

Financial assets

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

Financial liabilities

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

Hedge accounting

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

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

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

Cash flow hedges

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

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

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

Hedge of a net investment in self-sustaining foreign operations

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

Cash and cash equivalents

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

Restricted cash

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

Inventories

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

Property, plant and equipment

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

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

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

Other intangible assets

Energy sales contracts

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

Water rights

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

Development projects

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

Goodwill

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

Other non-current assets - Reserve funds

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

Borrowing costs

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

Leases

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

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

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

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

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

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

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

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

Remeasurement

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

Estimation uncertainty arising from variable lease payments

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

Impairment of assets

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

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

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

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

Provisions

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

Contingent consideration

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

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

Litigation provisions

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

Decommissioning liability

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

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

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

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

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

Income taxes

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

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

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

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

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

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

Equity

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

Stock-based compensation

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

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

Revenue recognition

The Corporation recognizes its revenue under the following policies:

Revenues from energy sales and feed-in premium

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

Variable consideration

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

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

Other income

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

Net earnings (loss) per share

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

Change in accounting estimates

Change in useful life of certain wind turbine components

Management has reassessed the useful life of certain components for the wind power stations with concrete towers. As of October 1, 2020, the estimated useful life of most of the components will be 30 years. This change in amortization period reflects the best estimate by the management of the Corporation considering recently available expert reports that support this revision in estimated useful life, based on the current conditions of the wind assets. This prospective change in accounting estimate resulted in a $2 million decrease in amortization expense and a negligible impact on the share in earnings of the Joint Ventures and associates, giving rise to a $2 million increase in net earnings before income taxes for the fiscal year ended December 31, 2020.

In 2021, the amortization expense will decrease by approximately $13 million and the share in earnings of the Joint Ventures and associates will increase by approximately $1 million, for a total impact of $14 million on the Corporation's net earnings (loss) before income taxes.

Changes in accounting policies

IFRS 3, Business Combinations

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3, *Business Combinations*. The amendments are intended to assist entities in determining whether a transaction should be accounted for as a business combination or as a group of assets. The amendments apply prospectively to acquisitions made during annual periods beginning on or after its implementation. The amendments are effective for annual periods beginning on or after January 1, 2020, the date at which the Corporation adopted this standard.

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

In October 2018, the IASB issued amendments to IAS 1, *Presentation of Financial Statements*, and IAS 8, *Accounting Policies*, *Changes in Accounting Estimates and Errors*, to align the definition of "material" across the standards and to clarify certain aspects of the definition. The amendments are intended to improve financial reporting by promoting a better understanding of the existing requirements and should not significantly impact an entity's materiality judgments. The amendments apply prospectively to annual periods beginning on or after its implementation. The amendments are effective for annual periods beginning on or after January 1, 2020, the date at which the Corporation adopted this standard, and this change had no material impact on the Corporation's consolidated financial statements.

Conceptual Framework for Financial Reporting

In March 2018, the IASB issued a comprehensive set of concepts for financial reporting: the revised *Conceptual Framework for Financial Reporting* ("*Conceptual Framework*"), which replaces its previous version. It assists companies in developing accounting policies when no IFRS standard applies to a particular transaction and more broadly helps stakeholders to better understand the standards. The amendments are effective for annual periods beginning on or after January 1, 2020, the date at which the Corporation adopted this new framework, and this change had no material impact on the Corporation's consolidated financial statements.

IFRS 16, Leases

In response to the COVID-19 pandemic, IASB released amendments to IFRS 16, *Leases*, allowing entities not to consider rent concessions received arising from the pandemic as contract amendments under certain conditions. During the fiscal year, the Corporation early adopted this amended standard and this change had no impact on the Corporation's consolidated financial statements as no such concessions were received.

Future changes in accounting policies

Amendments to IAS 39, IFRS 9 and IFRS 7 (Interest Rate Benchmark Reform - Phase 2)

In August 2020, the IASB issued Interest Rate Benchmark Reform - Phase 2, which amends IFRS 9, *Financial instruments*, IAS 39, *Financial Instruments: Recognition and Measurement*, IFRS 7, *Financial Instruments: Disclosures*, IFRS 4, *Insurance Contracts* and IFRS 16, *Leases*. The amendments included in Phase 2 address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. These amendments complete those issued in 2019 and focus on issues that might affect financial reporting during the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate (replacement issues). The amendments are effective for annual periods beginning on or after January 1, 2021. The Corporation is currently assessing the extent of the impact of this change on its consolidated financial statements.

Note 4. Main sources of uncertainty

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

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

Main sources of uncertainty relating to management's key estimates

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

Recoverable amount - Impairment of assets

Every year, on August 31, management tests its CGUs and groups of CGUs for impairment with respect to intangible assets with indefinite useful lives and *Goodwill*. Also, at each reporting date, if any evidence of impairment exists, the Corporation must perform impairment tests on its assets with indefinite and finite useful lives and *Goodwill* to assess whether their carrying amounts are recoverable. Recoverable amounts are determined based on discounted cash flows projected over the terms of projects using rates that factor in current economic conditions and management's estimates based on past experience. Expected future cash flows are inherently uncertain and could materially change over time. They are significantly affected by a number of key estimates, including anticipated production, earnings, costs and discount rates. Impairment tests require the use of various assumptions based on management's best estimates including in particular discount rates and anticipated production. For fair value measurement of Level 3 financial instruments, the Corporation uses measurement techniques to determine fair value less costs of disposal.

Discount rate

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

Anticipated production

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

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

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

Lease liabilities

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

Decommissioning liability

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

Fair value of financial instruments

Fair value is determined using discounted cash flow models. Fair value determined using such valuation models requires the use of assumptions concerning the amount and timing of estimated future cash flows, as well as for numerous other variables. These assumptions are determined using external, readily observable market inputs. Since they are based on estimates, fair values may not be realized in an actual sale or immediate settlement of the instruments. See note 20 of these financial statements for a more detailed explanation of the bases for the calculations and estimates used.

Fair value of business combinations

The Corporation makes a number of key assumptions when allocating fair values to the assets and liabilities acquired in a business acquisition. Fair values are estimated using valuation techniques, such as the discounted cash flows method, that take into account key assumptions such as anticipated production, earnings, costs and discount rate.

Main sources of uncertainty relating to management's key judgments

Evidence of asset impairment

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

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

Determining the development phase

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

Business combination or asset acquisition

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

Consolidation

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

Note 5. Business combinations

2020

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

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

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

This transaction gave rise to acquisition costs of $1 million, which were recognized under acquisition costs in the 2020 consolidated statement of earnings (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 November 30, 2020.

Deemed disposal of interests in the Joint Ventures

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

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

LP I and DM I and II

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

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

The preliminary allocation of the purchase price between the net identifiable assets was established based on fair values as at acquisition date. Although the valuation process was well underway as at December 31, 2020, the Corporation has not yet finalized the determination of fair values for certain items of the net assets acquired. The balance sheet items that would be subject to change following the final determination of fair values as at acquisition date are *Property, plant and equipment*, *Energy sales contracts*, *Goodwill* and *Deferred income tax liabilities*. The measurement process of these items will continue during the next few months. The final recognition of the business combination could significantly differ from amounts presented and could result in favourable or unfavourable impacts, among others, on the currently recorded amortization and income tax expenses. These changes would be recorded retrospectively as at the acquisition date.

Trade and other receivables acquired as part of the acquisition has a fair value of $11 million and the Corporation expects to collect the entire amount during 2021. *Goodwill* represents differed taxes and is not deductible for income tax purposes.

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

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

Note 6. Property, plant and equipment

	Wind power stations	Hydroelectric power stations	Thermal power stations	Solar power stations	Corporate	**Total**
As at January 1, 2019:						
Net carrying amount	2,502	345	21	30	20	2,918
Impact of adopting IFRS 16	(52)	—	—	—	—	(52)
Year ended December 31, 2019:						
Balance – beginning of year	2,450	345	21	30	20	2,866
Translation adjustment	(84)	(5)	(1)	(2)	(1)	(93)
Additions	89	40	3	4	8	144
Disposals	(7)	—	—	—	—	(7)
Impairment (note 15)	(18)	—	—	—	—	(18)
Amortization	(153)	(15)	(4)	(2)	(3)	(177)
Other	2	(1)	—	—	(1)	—
Balance – end of year	2,279	364	19	30	23	2,715
As at December 31, 2019:						
Cost	3,031	454	63	43	38	3,629
Accumulated amortization	(752)	(90)	(44)	(13)	(15)	(914)
Net carrying amount	2,279	364	19	30	23	2,715
Year ended December 31, 2020						
Balance – beginning of year	2,279	364	19	30	23	2,715
Translation adjustment	75	(2)	—	1	1	75
Additions	123	3	—	6	2	134
Additions through business combinations (note 5)	356	—	—	—	—	356
Amortization	(141)	(14)	(4)	(2)	(3)	(164)
Impairment	(2)	—	(3)	—	—	(5)
Other	1	—	—	—	—	1
Balance – end of year	2,691	351	12	35	23	3,112
As at December 31, 2020:						
Cost	3,584	455	60	50	41	4,190
Accumulated amortization	(893)	(104)	(48)	(15)	(18)	(1,078)
Net carrying amount	2,691	351	12	35	23	3,112

Property, plant and equipment includes facilities under construction in an amount of $41 million ($50 million as at December 31, 2019).

An amount of $10 million relating to additions to property, plant and equipment still unpaid as at December 31, 2020 ($19 million as at December 31, 2019) was included under *Trade and other payables*.

Note 7. Leases

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

	Note	Land[(1)]	Buildings	Other	**Total**
Year ended December 31, 2019:					
Balance – beginning of year		222	13	7	242
Translation adjustment		(3)	(1)	1	(3)
Revised cash flow estimates		22	—	—	22
Additions		7	7	—	14
Amortization		(13)	(1)	(1)	(15)
Balance – end of year		235	18	7	260
As at December 31, 2019:					
Cost		264	19	8	291
Accumulated amortization		(29)	(1)	(1)	(31)
Net carrying amount	3	235	18	7	260
Year ended December 31, 2020:					
Balance – beginning of year		235	18	7	260
Translation adjustment		7	—	—	7
Revised cash flow estimates	11, (a)	29	—	—	29
Additions		13	1	3	17
Disposals		(1)	—	—	(1)
Additions through business combinations	5	23	—	—	23
Amortization		(15)	(3)	(1)	(19)
Balance – end of year		291	16	9	316
As at December 31, 2020:					
Cost		337	20	11	368
Accumulated amortization		(46)	(4)	(2)	(52)
Net carrying amount		291	16	9	316

(1) Includes land restoration costs of $83 million as at December 31, 2020 ($71 million as at December 31, 2019).

(a) Management reviewed the probability of exercising renewal options for some leases as well as land restoration costs for wind farms with concrete towers and performed its annual review of inflation and discount rates. The term of leases with renewal options was increased to 30 years. Following the revision of these assumptions, *Right-of-use assets* and *Decommissioning liability* increased by $10 million, and *Right-of-use assets* and *Lease liabilities* increased by $19 million.

As at December 31, 2020, cash flows were discounted using pre-tax interest rates that reflect the assessment of the risks specific to the lease agreement, ranging from 0.26% to 5.40% to determine the right-of-use asset and liability.

Cash outflows related to lease liabilities totalled $20 million in 2020 ($17 million in 2019).

Note 8. Intangible assets and Goodwill

	Other intangible assets					
	Energy sales contracts	Water rights	Development projects	Other intangible assets	**Total**	**Goodwill**
Year ended December 31, 2019:						
Balance – beginning of year	695	92	6	5	798	195
Translation adjustment	(32)	—	—	—	(32)	(7)
Additions	18	—	1	2	21	—
Amortization	(49)	(3)	—	—	(52)	—
Impairment (note 15)	(33)	—	(2)	—	(35)	—
Balance – end of year	599	89	5	7	700	188
As at December 31, 2019:						
Cost	846	117	5	10	978	188
Accumulated amortization	(247)	(28)	—	(3)	(278)	—
Net carrying amount	599	89	5	7	700	188
Year ended December 31, 2020:						
Balance – beginning of year	599	89	5	7	700	188
Translation adjustment	24	—	—	—	24	7
Additions through business combinations (note 5)	336	—	—	—	336	27
Additions	11	—	8	4	23	—
Amortization	(50)	(3)	—	(1)	(54)	—
Other	—	—	(2)	—	(2)	—
Balance – end of year	920	86	11	10	1,027	222
As at December 31, 2020:						
Cost	1,223	117	11	14	1,365	222
Accumulated amortization	(303)	(31)	—	(4)	(338)	—
Net carrying amount	920	86	11	10	1,027	222

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

Energy sales contracts	17 years
Water rights	26 years

Water rights of the Buckingham hydroelectric power station, which amounted to $38 million in 2020 and 2019, are not amortized given their indefinite useful life. *Development projects* consist primarily of wind power projects in Europe. *Other intangible assets* consist primarily of an enterprise resource planning system and licences for wind power projects under development.

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

	As at December 31, **2020**	As at December 31, **2019**
Wind power Canada	84	56
Wind power France	98	92
Hydroelectric Canada and United States	40	40
	222	188

As at August 31, 2020, goodwill and water rights with indefinite useful life relating to the Buckingham power station were tested for impairment. For all tests, the recoverable amounts of the CGUs determined using the fair value less costs of disposal method exceeded the carrying amounts. A discount rate ranging from 3.92% to 4.90% was used for these impairment tests.

Note 9. Debt

(in millions of Canadian dollars, unless otherwise specified)	Note	Maturity	Rate(1)	Currency of origin(2)	As at December 31, 2020	As at December 31, 2019
Revolving credit facility		2023	1.96		119	242
Subordinated debt(3)		2028	5.64		300	300
Term loan payable:						
Ocean Falls hydroelectric power station		2024	6.55		4	5
Thames River wind farms		2031	7.05		112	120
Témiscouata I wind farm		2032	5.20		39	41
LP I wind farm	(a)	2032	3.89		176	—
Témiscouata II wind farm		2033	5.61		102	106
DM I and II wind farm	(a)	2033	5.80		252	—
Niagara Region Wind Farm (“NRWF”)	(b)	2034	3.04		759	685
Port Ryerse wind farm		2034	3.86		26	27
Frampton wind farm		2035	4.15		59	63
Côte-de-Beaupré wind farm		2035	4.21		51	52
Moose Lake wind farm		2043	4.62		47	49
Jamie Creek hydroelectric power station		2054	5.42		55	55
Yellow Falls hydroelectric power station		2056	4.89		72	73
Other debt		—	—		6	4
CANADA					**2,179**	**1,822**
Term loan payable:						
CDPQ Fixed Income Inc. ("Caisse")		2024	4.05	40	62	58
Boralex Production portfolio of wind farms and projects		2030	0.90	139	216	237
Val aux Moines wind farm		2034	1.33	14	22	23
Boralex Énergie France portfolio of wind farms and projects		2036	1.50	212	329	330
Sainte-Christine portfolio of wind farms and projects		2039	1.45	484	752	623
Other debt		—	—	3	4	4
FRANCE	(c)			**892**	**1,385**	**1,275**
Senior secured U.S. note		2026	3.51	35	45	52
UNITED STATES				**35**	**45**	**52**
			3.20		3,609	3,149
Current portion of debt					(229)	(172)
Transaction costs, net of accumulated amortization					(93)	(82)
					3,287	**2,895**

(1) Weighted average rates, adjusted to reflect the impact of interest rate swaps and calculated using the effective interest method, where applicable.
(2) Currencies of origin are CAD (Canada), EUR (France) and USD (United States).
(3) Lenders are CDPQ Fixed Income Inc., a subsidiary of a shareholder of the Corporation, and the Fonds de solidarité FTQ.

(a) Financing of DM I and II and LP I wind farms

On November 30, 2020, Boralex closed the acquisition of CDPQ's 49% interest in the DM I and II and LP I wind farms, in which Boralex already held 51%. The acquisition included two project financing facilities. These term loans secured by the underlying assets of each of these projects are repayable on a quarterly or half-yearly basis over periods ending from 2025 to 2033 and bearing interest at rates between 2.33% and 6.30% or a weighted average rate between 3.89% and 5.80% over the term of the loan, considering the impact of interest rate swaps.

(b) NRWF refinancing

On August 7, 2020, the Corporation announced the completion of a $806 million refinancing for its 230 MW **Niagara Region Wind Farm** located on the Niagara Peninsula, Ontario, Canada. This new financing facility comprises a $558 million uncovered term loan tranche maturing in November 2036, a $211 million covered term loan tranche, under a guarantee from the Federal Republic of Germany through its export credit agency, Euler Hermes, maturing in November 2034, as well as a $37 million letter of credit facility for debt service. The non-current debt has a variable interest rate based on CDOR, plus a margin, and is repayable in quarterly payments. In order to reduce exposure to rate changes, interest rate swaps were entered into to cover 90% of the total long-term debt, as required by the credit agreement. For the Corporation, this refinancing represents a two-year extension on its unsecured portion. The refinancing allowed the Corporation to free up financial resources of $72 million, which were used to pay down the Corporation's credit facility.

(c) French revolving credit facility

On January 29, 2020, Boralex closed a revolving credit facility amounting to $182 million (€125 million) to finance the construction of future wind and solar power projects in France. This credit facility was undrawn as at December 31, 2020.

Current portion of debt

(in millions of Canadian dollars)	As at December 31, 2020	As at December 31, 2019
Term loan payable – projects	217	167
Value added tax bridge financing facility	12	5
	229	172

Financial ratios and guarantees

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

As at December 31, 2020, the carrying amount of assets pledged to secure the loans was $3,927 millions ($3,551 millions as at December 31, 2019). Project term loans are non-recourse to the parent company.

As at December 31, 2020 and December 31, 2019, management considers that Boralex and its subsidiaries were in compliance with all their ratios and financial commitments.

Note 10. Income taxes

The breakdown of income tax expense (recovery) is as follows:

	2020	2019
Current taxes:		
Current income tax expense	9	5
Income tax recovery for prior years recorded in the current year	—	(2)
	9	3
Deferred taxes:		
Differences between the current tax rate and deferred income tax rates	(1)	1
Deferred tax savings relating to temporary differences for prior years	(4)	(11)
Income tax expense for prior years recorded in the current year	1	2
	(4)	(8)
Income tax expense (recovery)	5	(5)

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

	2020	2019
Net earnings (loss) before income taxes	66	(48)
Combined basic Canadian and provincial income tax rate	26.59%	26.59%
Income tax expense (recovery) at the statutory rate	18	(13)
Increase (decrease) in income taxes arising from the following:		
Non-taxable/non-deductible items	(11)	8
Difference in foreign operations' statutory income tax rates	1	(2)
Differences between the current tax rate and deferred income tax rates	(2)	1
Foreign income taxes payable on dividends	—	2
Income tax asset not previously recognized and other items	(1)	(1)
Effective income tax expense (recovery)	5	(5)

	2020	2019
Deferred income tax liability	(137)	(136)

The changes in deferred taxes by nature are as follows:

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

	As at December 31, 2018	Impact of adopting IFRS 16	As at January 1, 2019	Recorded in comprehensive income	Recorded in net earnings	As at December 31, 2019
Deferred income tax asset related to loss carryforwards	211	—	211	—	2	213
Financial instruments	9	—	9	7	(13)	3
Provisions	1	—	1	—	1	2
Interests in the Joint Venture and associates	(122)	—	(122)	1	8	(113)
Temporary differences between accounting and tax amortization	(255)	3	(252)	—	16	(236)
Translation adjustments	(3)	—	(3)	3	3	3
Financing and other costs	1	—	1	—	(9)	(8)
Total deferred income tax liabilities	(158)	3	(155)	11	8	(136)

Given that future taxable income is expected to be sufficient, deductible temporary differences, unused loss carryforwards and tax credits have been recorded as a deferred tax asset in the statement of financial position. A deferred tax asset of $1 million ($2 million in 2019) in Canada was not recognized in respect of the $7 million capital loss carryforwards, as no unrealized capital gain is expected. The capital losses have no expiry date.

Note 11. Decommissioning liability

For the wind power sites, 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. In 2020, the Corporation revised the useful life of property, plant and equipment up to the decommissioning date to 30 years for wind farms with concrete towers. The useful lives ranged from 21 to 25 years as at December 31, 2019. As at December 31, 2020 cash flows were discounted using pre-tax interest rates that reflect the assessment of the risks specific to the liability, ranging from 0.66% to 2.87% (1.31% and 3.43% as at December 31, 2019) to determine the non-current decommissioning liability.

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

	Note	2020	2019
Balance as at January 1, 2020		90	69
Translation adjustment		5	(3)
Liability assumed as part of the business acquisition	5	17	—
Revised cash flow estimates	3, 7	10	22
New obligations		4	2
Accretion expense included in financing costs		2	2
Balance as at December 31, 2020		128	92
Current portion of decommissioning liability[1]		—	(2)
		128	90

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

Note 12. Capital stock, contributed surplus and dividends

Boralex's capital stock is composed of an unlimited number of Class A common shares and an unlimited number of preferred shares. The Class A shares have no par value and confer on each shareholder the right to vote at any meeting of shareholders, receive any dividends declared by the Corporation thereon and share in the residual property upon dissolution of the Corporation. The preferred shares have no par value and were created to provide the Corporation with additional flexibility with respect to future financing, strategic acquisitions and other transactions. The preferred shares are issuable in series with the number of shares in each series to be determined by the Board of Directors prior to issuance. No preferred shares had been issued as at December 31, 2019 and 2020.

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

The following changes occurred in the Corporation's capital stock between December 31, 2019 and 2020:

		Capital stock	
	Note	Number of shares	Amount
Balance as at January 1, 2019		89,184,175	984
Issuance of shares on debenture conversions		6,939,347	134
Equity component of convertible debentures		—	4
Exercise of options	13	340,938	3
Balance as at December 31, 2019		96,464,460	1,125
Issuance of shares, net of share issuance costs	(a)	6,081,200	194
Exercise of options	13	70,993	1
Balance as at December 31, 2020		102,616,653	1,320

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

Dividends paid

On March 16, June 15, September 16, and December 15, 2020, the Corporation paid dividends totalling $66 million ($60 million in 2019).

On February 8, 2021, a dividend of $0.1650 per common share was declared and will be paid on March 15, 2021 to holders of record at the market close on February 26, 2021.

Note 13. Stock-based compensation

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

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

	2020		2019	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding - beginning of year	312,213	16.29	605,065	12.61
Granted	52,609	29.41	64,530	18.45
Exercised	(70,993)	14.62	(340,938)	10.03
Expired	—	—	(456)	22.00
Cancelled	(16,124)	23.53	(15,988)	19.28
Outstanding - end of year	277,705	18.78	312,213	16.29
Options exercisable - end of year	168,364	15.87	193,457	14.79

The following options were outstanding as at December 31, 2020:

	Options outstanding		Options exercisable		
Granted in	Number of options	Exercise price	Number of options	price	Year of expiry
2013	10,750	10.29	10,750	10.29	2023
2014	32,990	12.90	32,990	12.90	2024
2015	37,382	13.87	37,382	13.87	2025
2016	36,355	16.65	36,355	16.65	2026
2017	25,149	22.00	18,563	22.00	2027
2018	30,295	18.91	16,693	18.91	2028
2019	59,434	18.44	15,631	18.44	2029
2020	45,350	29.41	—	29.41	2030
	277,705	18.78	168,364	15.87	

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

	2020	2019
Share price on grant date	28.45	18.32
Exercise price	29.41	18.45
Expected annual dividend rate	3.98 %	6.78 %
Term	10 years	10 years
Expected volatility	32.96 %	20.39 %
Risk-free interest rate	0.93 %	2.13 %
Weighted average fair value per option	7.80	2.63

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

Note 14. Expenses by nature

Operating and administrative

	2020	2019
Raw material and consumables	15	16
Maintenance and repairs	53	45
Employee benefits	64	49
Rental expenses and permits	10	8
Taxes	26	26
Other expenses	27	18
	195	162

Note 15. Impairment

2019

Moulins du Lohan

In December 2019, the Corporation was notified by the Ministère de la Transition Écologique et Solidaire that the 1,500 MW threshold for the support mechanism for 2016 or 2016 FiP would soon be reached. Once the volume exceeds 1,800 MW (notified volume of 1,500 MW plus 20%), the support would likely be qualified as new support. This would apply to the 51 MW Moulins du Lohan project's FiP. In light of this notification and ongoing litigation (note 23, *Commitments and contingencies*) that caused the interruption of construction work on the wind farm (litigation pending before the Conseil d'État), impairment losses of $18 million (€12 million) on *Property, plant and equipment* and $33 million (€22 million) on *Intangible assets* have been recognized to write down the carrying amount of assets to their recoverable amount. The Corporation has maintained a $17 million (€12 million) portion of the value of assets under construction and land as it intends to submit this project under upcoming requests for proposals in France. This situation applies only to the Moulins du Lohan project.

Note 16. Financing costs

	Note	2020	2019
Interest on non-current debt, net of the impact of interest rate swaps		102	112
Interest on lease liabilities		8	7
Refinancing of term loans - net impact	(a)	(12)	13
Amortization of borrowing costs		15	5
Interest on convertible debentures		—	6
Other		3	4
		116	147
Interest capitalized to qualifying assets	(b)	(3)	(4)
		113	143

(a) In 2020, following refinancing of NRWF debt, a $12 million gain was recorded on debt modification. As part of refinancing in France, deferred financing costs related to the former debt as well as net non-recurring financing costs were expensed for a total amount of $13 million in 2019.

(b) The weighted average annual rate for the capitalization of borrowing costs under qualifying assets was 4.84% per annum (3.91% in 2019).

Note 17. Net earnings (loss) per share

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

(in millions of Canadian dollars, unless otherwise specified)	2020	2019
Net earnings (loss) attributable to shareholders of Boralex	55	(39)
Weighted average number of shares - basic	98,547,826	90,604,799
Net earnings (loss) per share attributable to shareholders of Boralex - basic	$0.55	($0.43)

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

(in millions of Canadian dollars, unless otherwise specified)	2020	2019
Net earnings (loss) attributable to shareholders of Boralex - diluted	55	(39)
Weighted average number of shares - basic	98,547,826	90,604,799
Dilutive effect of stock options	120,295	—
Weighted average number of shares - diluted	98,668,121	90,604,799
Net earnings (loss) per share attributable to shareholders of Boralex - diluted	$0.55	($0.43)

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:

	2020	2019
Stock options excluded due to their anti-dilutive effect	—	312,213

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

	2020	2019
Decrease (increase) in:		
Trade and other receivables	25	(12)
Other current assets	(13)	—
Increase (decrease) in:		
Trade and other payables	12	(4)
	24	(16)

Note 19. Statement of cash flows

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

As at December 31, **2019**

	Balance – beginning of year	Cash	Additions	Non-cash items: Share issuance	Translation adjustment	Amortization	Imputed interest	Other items[3]	Balance – end of year
Debt[1]	3,271	(103)	—	—	(91)	4	1	(15)	3,067
Lease liabilities[2]	207	(10)	12	—	(3)	—	—	2	208
Convertible debentures	140	(8)	—	(134)	—	1	1	—	—
Derivative financial instruments	17	(22)	—	—	—	—	—	8	3
	3,635	(143)	12	(134)	(94)	5	2	(5)	3,278

[1] Including *Debt* and *Current portion of debt*.
[2] Including *Lease liabilities* and *Current portion of lease liabilities*.
[3] Mainly including debt related transaction costs and changes in fair value of derivative financial instruments.

Note 20. Financial instruments

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

	Note	As at December 31, 2020 Carrying amount	Fair value	As at December 31, 2019 Carrying amount	Fair value
OTHER CURRENT FINANCIAL ASSETS					
Cross-currency swaps (EUR for CAD)		—	—	16	16
Foreign exchange forward contracts (EUR for CAD)		—	—	1	1
		—	—	17	17
OTHER NON-CURRENT FINANCIAL ASSETS					
Advance to a non-controlling shareholder		29	29	37	39
Reserve funds		34	34	15	15
Interest rate swaps		7	7	15	15
Options to purchase a partner's interests		—	—	9	9
		70	70	76	78
OTHER CURRENT FINANCIAL LIABILITIES					
Cross-currency swaps (USD for CAD)		—	—	3	3
DEBT[1]	9	3,516	3,703	3,067	3,264
OTHER NON-CURRENT FINANCIAL LIABILITIES					
Interest rate swaps		82	82	31	31
Amount due to a non-controlling shareholder		6	7	6	6
Cross-currency swaps (EUR for CAD)		8	8	—	—
Foreign exchange forward contracts (EUR for CAD)		—	—	1	1
Contingent consideration		4	4	—	—
		100	101	38	38

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

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 value of reserve funds is equivalent to their carrying amounts as they bear interest at market rates.

The fair values of the advance to a non-controlling shareholder, options to purchase a partner's interests, contingent consideration, debt and the amount due to a non-controlling shareholder are essentially based on discounted cash flows. Discount rates, ranging from 0.42% to 7.51% (1.10% to 8.00% as at December 31, 2019), were determined based on local government bond yields adjusted for the risks specific to each of the borrowings and for credit market liquidity conditions.

Interest rate swaps

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

As at December 31,

2020	Currency	Fixed-rate payer	Floating-rate receiver	Maturity	Current notional (in CAD)	Fair value (in CAD)
Interest rate swaps	EUR	-0.16% to 1.79%	3-month EURIBOR	2030-2039	1,045	(46)
Interest rate swaps	USD	1.01%	3-month USD LIBOR	2046	166	2
Interest rate swaps	CAD	1.12% to 2.68%	3-month CDOR	2025-2043	1,060	(31)

As at December 31,

2019	Currency	Fixed-rate payer	Floating-rate receiver	Maturity	Current notional (in CAD)	Fair value (in CAD)
Interest rate swaps	EUR	-0.16% to 1.79%	3 month EURIBOR	2030-2039	1,069	(27)
Interest rate swaps	CAD	1.81% to 2.68%	3-month CDOR	2034-2043	753	11

Foreign exchange forward contracts

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

As at December 31,

2019	Exchange rate	Maturity	Current notional (in CAD)	Fair value (in CAD)
Foreign exchange forward contracts (EUR for CAD)	1.5475	2020-2025	93	—

Cross-currency swaps

The Corporation also entered into cross-currency swaps. These derivatives mainly 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 can also enter into similar transactions pertaining to US dollars. These short-term transactions provide access to lower interest rates on drawdowns under the revolving credit facility. To measure the fair value of these instruments, the Corporation uses a technique that is a combination of the techniques used to measure the fair value of interest rate swaps and foreign exchange forward contracts.

As at December 31,

2020	Exchange rate	Maturity	Current notional (in CAD)	Fair value (in CAD)
Cross-currency swaps (EUR for CAD)	1.5324	2023	472	(8)

As at December 31,

2019	Exchange rate	Maturity	Current notional (in CAD)	Fair value (in CAD)
Cross-currency swaps (EUR for CAD)	1.5071	2020	479	16
Cross-currency swaps (USD for CAD)	1.3171	2020	245	(3)

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.

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

For contingent consideration, the advance to a non-controlling shareholder and the amount due to a non-controlling shareholder, the Corporation classified fair value measurements as Level 3 because they are based on unobservable market data, namely the probability of achieving certain project development or cash flow milestones determined using project entity data.

For the options to purchase a partner's interests, the Corporation classified fair value measurements as Level 3 because they are primarily based on power production and selling prices upon expiry of the energy sales contract and other unobservable market data. The fair value of these options was determined based on the future cash flows generated by the projects to which a Monte-Carlo simulation was applied to factor in the uncertainty pertaining to production.

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

	Fair value hierarchy levels			
	As at December 31, 2020	Level 1	Level 2	Level 3
NON-DERIVATIVE FINANCIAL ASSETS				
Advance to a non-controlling shareholder	29	—	—	29
	29	—	—	29
DERIVATIVE FINANCIAL ASSETS				
Interest rate swaps	7	—	7	—
	7	—	7	—
NON-DERIVATIVE FINANCIAL LIABILITIES				
Debt(1)	3,703	—	3,703	—
Amount due to a non-controlling shareholder	7	—	—	7
	3,710	—	3,703	7
DERIVATIVE FINANCIAL LIABILITIES				
Interest rate swaps	82	—	82	—
Cross-currency swaps (EUR for CAD)	8	—	8	—
Contingent consideration	4	—	—	4
	94	—	90	4

(1) Includes *Debt* and *Current portion of debt.*

	As at December 31, 2019	Fair value hierarchy levels Level 1	Level 2	Level 3
NON-DERIVATIVE FINANCIAL ASSETS				
Advance to a non-controlling shareholder	39	—	—	39
	39	—	—	39
DERIVATIVE FINANCIAL ASSETS				
Cross-currency swaps (EUR for CAD)	16	—	16	—
Interest rate swaps	15	—	15	—
Options to purchase a partner's interests	9	—	—	9
Foreign exchange forward contracts (EUR for CAD)	1	—	1	—
	41	—	32	9
NON-DERIVATIVE FINANCIAL LIABILITIES				
Debt(1)	3,264	—	3,264	—
Amount due to a non-controlling shareholder	6	—	—	6
	3,270	—	3,264	6
DERIVATIVE FINANCIAL LIABILITIES				
Interest rate swaps	31	—	31	—
Cross-currency swaps (USD for CAD)	3	—	3	—
Foreign exchange forward contracts (EUR for CAD)	1	—	1	—
	35	—	35	—

(1) Includes *Debt* and *Current portion of deb*t.

The financial instrument classified as Level 3 which is measured at fair value through profit or loss has changed as follows:

	Note	Options to purchase a partner's interests	Contingent consideration
Balance as at January 1, 2019		15	—
Changes in fair value		(6)	—
Balance as at December 31, 2019		9	—
Reversal following the acquisition of the partner's interests	5	(9)	—
Business combination	5	—	4
Balance as at December 31, 2020		—	4

Note 21. Financial risks

The Corporation is exposed in the normal course of business to various financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk.

Market risk

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

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

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

On December 31, 2020, a $0.05 fall in the Canadian dollar against the U.S. dollar, assuming that all other variables had remained the same, would have led to a $0.3 million increase in the Corporation’s net earnings for the year ended December 31, 2020 ($0.2 million increase in net loss in 2019) and to a $4.2 million after-tax decrease in *Accumulated other comprehensive income* (deterioration of $4.4 million in 2019).

On December 31, 2020, a $0.05 fall in the Canadian dollar against the euro, assuming that all other variables had remained the same, would have led to a $0.8 million decrease in the Corporation’s net earnings for the year ended December 31, 2020 ($1.7 million decrease in net loss in 2019) and to a $0.6 million after-tax decrease in *Accumulated other comprehensive income* (deterioration of $0.6 million in 2019).

Price risk

As at December 31, 2020, substantially all of the French and Canadian power stations and two power stations in the United States had long-term energy sales contracts, the vast majority of which were subject to partial or full indexation clauses tied to inflation. Consequently, only 2% of Boralex’s net installed capacity is exposed to price risk at present. Energy prices vary according to supply, demand and certain external factors, including weather conditions, and the price from other sources of power. As a result, prices may fall too low for the power stations to yield an operating profit.

On December 31, 2020, a 5% fall in the price of energy, assuming that all other variables had remained the same, would have led to a $0.2 million decrease in Corporation’s net earnings for the year ended December 31, 2020 (deterioration of $0.2 million in 2019) while *Accumulated other comprehensive loss* would have remained unchanged (nil in 2019).

Interest rate risk

A large portion of debt bears interest at variable rates. To mitigate interest rate risk, the Corporation has entered into interest rate swaps to fix the interest rate on the portion of the corresponding variable rate debt. These agreements involve the periodic exchange of interest payments without any exchange of the notional amount on which payments are calculated. Since credit is drawn gradually and the loans are periodically repaid following site commissioning, the swaps have been structured to mirror the terms of the underlying credit arrangements and to always cover a significant portion of the arrangements.

As at December 31, 2019, substantially all of these financial instruments were subject to hedge accounting. Accordingly, unrealized gains and losses resulting from changes in the fair value of the effective portion of these contracts are included in *Accumulated other comprehensive loss* until the corresponding hedged item is recognized in earnings (loss). They are then recognized in earnings as an adjustment to *Financing costs*.

The impact of interest rate swaps on the Corporation's financial position and performance were as follows:

		2020	2019
Net fair value		**(83)**	**(16)**
Unfavourable fair value		(90)	(27)
Favourable fair value		7	11
Notional		**2,271**	**1,822**
Interest rate swaps	EUR	1,045	1,069
Interest rate swaps	USD	166	—
Interest rate swaps	CAD	1,060	753
Maturity		2023-2046	2030-2043
Sensitivity			
0.25% increase in interest rates (Net earnings (loss) impact)		(1)	(1)
0.25% increase in interest rates (Accumulated other comprehensive income (loss) impact)		28	20
Consolidated impacts			
Reduction in the proportion of variable rate debt		78%-13%	80%-10%
Covered debt proportion	EUR	71%-90%	87%-90%
	CAD	85%-95%	83%-95%
Receiver rate	EUR	3-month EURIBOR	3 month EURIBOR
	USD	3-month LIBOR	—
	CAD	3-month CDOR	3-month CDOR
Payer rate	EUR	-0.16% to 1.79%	-0.16% to 1.79%
	USD	1.01 %	—
	CAD	1.12% to 2.68%	1.81% to 2.68%

Credit risk

Credit risk stems primarily from the potential inability of clients to meet their obligations. Given the nature of the Corporation's business, its clients are few in number. However, they generally have high credit ratings. The electricity markets that the Corporation serves in Canada and France are limited to very large corporations or monopolies. Steam generated in France is used in the paper-making process. Accordingly, the Corporation's client is in the private sector, which makes for a higher credit risk. The U.S. market is more deregulated, and the Corporation transacts some business through the New York State regional producers' association, NYISO, which enjoys a very high credit rating. In the U.S. market, the Corporation can also negotiate private agreements directly with electricity distributors, usually large corporations which typically have investment grade credit ratings. The Corporation regularly monitors the financial position of these clients.

The Corporation's counterparties for derivative financial instruments, as well as cash and cash equivalents and restricted cash, consist mainly of large corporations. Before entering into a derivative transaction, the Corporation analyzes the counterparty's credit rating and assesses the overall risk based on the counterparty's weighting in the Corporation's portfolio.

Where these analyses produce unfavourable results because the partner's credit rating has changed significantly or its portfolio weighting has become too high, the Corporation does not pursue the transaction. Furthermore, if a company does not have a public credit rating, the Corporation assesses the risk and may require financial guarantees.

Liquidity risk

Liquidity risk is the risk that the Corporation will experience difficulty meeting its obligations as they fall due. The Corporation has a Treasury Department in charge, among other things, of ensuring sound management of available cash resources, of securing financing and meeting maturity obligations for all of the Corporation's activities. With senior management oversight, the Treasury Department manages the Corporation's cash resources based on financial forecasts and expected cash flows.

The contractual maturities of the Corporation's non-derivative financial liabilities and derivative financial instruments as at December 31, 2020 and 2019 are detailed in the following tables:

As at December 31,		Undiscounted cash flows (principal and interest)				
2020	Carrying amount	Year 1	Year 2	Years 3 to 5	Over 5 years	Total
Non-derivative financial liabilities:						
Trade and other payables	161	161	—	—	—	161
Debt	3,516	344	399	1,344	3,505	5,592
Lease liabilities	256	19	20	55	261	355
Derivative financial instruments:						
Financial swaps – interest rates	75	24	21	38	(1)	82
Cross-currency swaps (EUR for CAD)	8	(3)	(4)	16	—	9
	4,016	545	436	1,453	3,765	6,199

As at December 31,		Undiscounted cash flows (principal and interest)				
2019	Carrying amount	Year 1	Year 2	Years 3 to 5	Over 5 years	Total
Non-derivative financial liabilities:						
Trade and other payables	118	118	—	—	—	118
Debt	3,067	268	296	1,147	2,340	4,051
Lease liabilities	208	16	16	46	198	276
Derivative financial instruments:						
Financial swaps – interest rates	31	7	8	13	(2)	26
Cross-currency swaps (USD for CAD)	3	3	—	—	—	3
Foreign exchange forward contracts	1	—	—	1	1	2
	3,428	412	320	1,207	2,537	4,476

Undiscounted cash flows of non-derivative financial liabilities are determined using expected principal repayments and interest payments. Undiscounted cash flows of derivatives are determined using the values of underlying indices at the balance sheet reporting date. Since these indices are highly volatile, the undiscounted cash flows presented could vary significantly until realized.

Note 22. Capital management

The Corporation's objectives when managing capital are as follows:

- Safeguard the Corporation's ability to pursue its operations and development;
- Maintain financial flexibility to enable the Corporation to seize opportunities when they arise;
- Safeguard the Corporation's financial flexibility with a view to offsetting the seasonal nature of its operations primarily for the cyclical variations in hydroelectric and wind power generation;
- Maximize the terms of borrowings in line with the useful lives of its assets or underlying contracts;
- Ensure continuous access to capital markets; and
- Diversify its financing sources to optimize its capital cost.

The Corporation manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain its capital structure, the Corporation prioritizes the use of less costly financing sources, such as cash flows from operations, borrowings, hybrid instruments such as convertible debentures, equity issuance and, as a last resort, the sale of assets. In managing liquidity, the Corporation's policy is to earmark in priority its available cash resources for (i) growth projects and (ii) the payment of a quarterly dividend. Generally, Boralex expects to pay common share dividends on an annual basis representing a ratio of 40% to 60% of its discretionary cash flows (defined as "net cash flows related to operating activities" before changes in "non-cash items related to operating activities," less (i) distributions paid to non-controlling interests, (ii) additions to property, plant and equipment (maintaining operations), and (iii) repayments on non-current debt (projects); (iv) principal payments made related to lease liabilities, (v) adjustments for temporary or non-recurring elements not related to current operations to maintain a comparable ratio between periods; plus (vi) development costs (from the statement of earnings (loss)).

The Corporation's investment policy governing cash resources is limited to investments with maturities of less than one year that are guaranteed by financial institutions. For instance, bankers' acceptances guaranteed by a Canadian chartered bank meet these criteria. The Corporation deems its current financing sources to be sufficient to support its plans and its operating activities.

The Corporation monitors its capital on a quarterly and annual basis based on various financial ratios and non-financial performance indicators. It is also required to meet certain ratios under its non-current financial commitments. More specifically, the Corporation must meet ratios pertaining to debt coverage, debt service and interest coverage in relation to the measures specified in the respective credit agreements.

As at December 31, 2020 and 2019, Boralex and its subsidiaries were in compliance with all their ratios and financial commitments.

The Corporation's capital management objectives have remained unchanged from the previous year. The Corporation relies mainly on the net debt ratio for capital management purposes. Cash and cash equivalents available are also a key factor in capital management, as the Corporation must retain sufficient flexibility to seize potential growth opportunities. To achieve this objective, the Corporation establishes long-term financial forecasts to determine future financing requirements in line with its strategic business development plans.

For calculation purposes, net debt is defined as follows:

	As at December 31, 2020	As at December 31, 2019
Debt	3,287	2,895
Current portion of debt	229	172
Borrowing costs, net of accumulated amortization	93	82
Less:		
Cash and cash equivalents	275	153
Restricted cash	2	15
Net debt	3,332	2,981

The Corporation defines total market capitalization as follows:

(in millions of Canadian dollars, unless otherwise specified)	As at December 31, 2020	As at December 31, 2019
Number of outstanding shares (in thousands)	102,617	96,464
Share market price (in $ per share)	47.24	24.46
Market value of equity attributable to shareholders	4,848	2,360
Non-controlling shareholders	2	15
Net debt	3,332	2,981
Total market capitalization	8,182	5,356

The Corporation computes the net debt to market capitalization ratio as follows:

(in millions of Canadian dollars)	As at December 31, 2020	As at December 31, 2019
Net debt	3,332	2,981
Total market capitalization	8,182	5,356
NET DEBT RATIO (market capitalization)	41 %	56 %

At present, the net debt to capitalization ratio stands at 41% and the Corporation wishes to maintain this ratio below 65%. It is important to specify that the Corporation uses a project-based financing approach whereby each project leverage is maximized up to nearly 80% of amounts invested. However, those financing arrangements are generally repayable over the life of the contract. Consequently, as other projects or large projects are added, the debt level could increase above this target but the Corporation would ensure to reduce the ratio below the set threshold within a reasonable time frame.

Note 23. Commitments and contingencies

		Payments			
	Note	Current portion	From 1 to 5 years	Over 5 years	Total
Purchase and construction contracts	(a)	82	3	—	85
Maintenance contracts	(b)	28	74	74	176
Contingent consideration	(c)	10	16	—	26
Other	(d)	6	11	25	42
		126	104	99	329

(a) Purchase and construction contracts

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

(b) Maintenance contracts

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

(c) Contingent consideration

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

(d) Other commitments

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

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

Energy sales contracts

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

		Contract term
Wind	Canada	2029 - 2059
	France	2021 - 2040
Hydroelectric	Canada	2023 - 2059
	United States	2034 - 2035

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

Contingencies

COVID-19 outbreak

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

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

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

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

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

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

France – Contingency

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

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

Canada – Contingencies

Local content

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

In accordance with customary practices, in circumstances where the compliance or non-compliance with local content requirements under an energy sales contract primarily depends on the wind turbine manufacturer's compliance, the Québec projects of Boralex had obtained a commitment from Enercon Canada inc. ("Enercon Canada") to pay any associated penalties. Enercon Canada's obligations under the wind turbine purchase contracts are guaranteed by its parent company, Enercon GmbH. There is a dispute between Hydro-Québec on one hand, and Enercon Canada and Enercon GmbH on the other hand, regarding in particular the costing calculation methodology for wind turbines and wind 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 held 51% of the outstanding units at the time and holds 100% of the outstanding units as of November 30, 2020), Enercon Canada and Enercon GmbH to determine the applicable calculation methodology and to obtain documents in the possession of Enercon Canada and Enercon GmbH. The application also seeks to order the defendants, *in solidum*, to pay Hydro-Québec an amount of less than $1 million together with interest and additional indemnities. Hydro-Québec specifies that this amount represents the minimum penalty only, that is, the difference of one percentage point between the regional content requirements and the regional content actually achieved, and that this amount needs to be adjusted as it considers that the actual difference is greater than one percentage point.

Le Plateau Wind Power L.P. impleaded Enercon Canada and Enercon GmbH in warranty under the turbine purchase agreement, requiring Enercon Canada and Enercon GmbH to pay the applicable penalties. Moreover, Enercon contends that Invenergy Wind Canada Development ULC ("Invenergy") failed to meet its obligations under a separate agreement, which constituted a quid pro quo for Enercon Canada in respect of its commitment to increase guaranteed regional content to 51%. In the circumstances, Invenergy made an application for voluntary intervention on the grounds of this allegation by Enercon. All actions filed will be dealt with simultaneously in order to settle the issue. In the event of non-payment, Hydro-Québec Distribution may exercise its right to offset any penalty against the amounts payable to Le Plateau Wind Power L.P. for the energy delivered by the wind farm in question, which would affect the revenues received by those wind farms until Enercon Canada and Enercon GmbH have paid the penalties in full. It should be noted that such amounts deducted by Hydro-Québec should be limited to an amount that would not cause a default on the payment under the facility's credit agreement. Based on the above information and at this stage of the matter, the Corporation is not able to determine the eventual outcome of this dispute or to reliably estimate the amount of penalties to be claimed due to the preliminary stage of the matter. However, in the Corporation's opinion, it is not likely that it would be subject to significant penalties, if any, under these energy sales contracts. Accordingly, no contingent loss has been recognized with respect to this contingency in the consolidated statements of earnings.

Canada – DM I

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

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

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

Note 24. Related party transactions

Related parties include the Corporation's subsidiaries, affiliates, Joint Ventures, key management personal and principal shareholders. Excluding the acquisition of the Caisse's 49% interest in three wind farms in Québec, in which Boralex already held 51% (note 5), related party transactions were as follows:

	2020	2019
OTHER REVENUES		
R.S.P. Énergie Inc. – Entity for which one of three shareholders is a director of the Corporation	1	1
Joint Ventures ("SDB I" and "SDB II")	2	1
Joint Ventures ("DM I and II", "LP I", "LP II" and "Roncevaux")	9	4
INTEREST INCOME		
9710612 Canada Inc. (Six Nations) – Minority shareholder of a subsidiary	2	2
INTEREST EXPENSE		
The Caisse – Shareholder of the Corporation	17	16
RENTAL EXPENSE		
Ivanhoé Cambridge – Subsidiary of the Caisse	1	—

These transactions were made on terms equivalent to those that prevail under normal terms in arm's length transactions.

Balance sheet amounts comprising transactions between related parties are as follows:

	As at December 31, 2020	As at December 31, 2019
RELATED PARTY ACCOUNTS RECEIVABLE		
Joint Ventures ("SDB I and SDB II)	1	1
Joint Ventures and associates ("DM I and II", "LP I", "LP II" and "Roncevaux")	—	5
RELATED PARTY LONG-TERM ADVANCES		
9710612 Canada Inc. (Six Nations) – Minority shareholder of a subsidiary	29	37
RELATED PARTY ACCOUNTS PAYABLE		
Nordex Employee Holding GmbH – Minority shareholder of a subsidiary	7	7
The Caisse – Main shareholder of the Corporation	312	308
RELATED PARTY OTHER LIABILITIES		
Ivanhoé Cambridge – Subsidiary of the Caisse – Lease liabilities	10	11
The Caisse – Main shareholder of the Corporation – Contingent consideration	4	—

Executive compensation

Compensation allocated to senior executives and to members of the Board of Directors is detailed in the following table:

	2020	2019
Current salaries and benefits	3	2
Other long-term benefits	7	3
	10	5

Note 25. Segmented information

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

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

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

A reconciliation of IFRS 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* section in note 3. *Significant accounting policies* to these financial statements.

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

	2020			2019		
	IFRS	Reconciliation[1]	Combined	IFRS	Reconciliation[1]	Combined
Net earnings (loss)	61	(5)	56	(43)	—	(43)
Income tax expense (recovery)	5	(1)	4	(5)	—	(5)
Financing costs	113	34	147	143	36	179
Amortization	237	47	284	244	55	299
Impairment	7	—	7	55	—	55
EBITDA	423	75	498	394	91	485
Adjustments:						
Acquisition costs	4	—	4	—	—	—
Other gains	(1)	(2)	(3)	(1)	(2)	(3)
Excess of distributions received over the share in net earnings of Joint Venture SDB I	(6)	6	—	—	—	—
Loss on deemed disposal of interests in the Joint Ventures	7	—	7	—	—	—
Other	7	—	7	9	1	10
EBITDA(A)	434	79	513	402	90	492

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

Information on principal clients

Revenues are allocated according to the client's country of domicile. In 2020 and 2019, the Corporation had three clients accounting for 10% or more of its revenues.

The tables below show the respective percentage of consolidated revenues from each of these clients as well as the segments in which they operate:

2020		2019	
% of sales attributable to one client	Segments	% of sales attributable to one client	Segments
49	Wind, thermal and solar	47	Wind, thermal and solar
16	Wind, hydroelectric and thermal	15	Wind, hydroelectric and thermal
19	Wind, hydroelectric and solar	20	Wind

Energy produced by only five hydroelectric power stations in the United States and three wind farms in France and Canada, which account for 1% of Boralex's total installed capacity, is sold at market prices, which are more volatile. For the year ended December 31, 2020, revenues from energy sales for facilities not covered by energy sales contracts amounted to $4 million ($6 million for the same period of 2019). The Corporation estimates that only 368 MW (15% of installed capacity or 11% of expected current production) covered by contracts expiring December 2025 will then be sold at market prices if new contracts have not been negotiated beforehand.

	2020				2019			
	Canada	France and other[1]	United States	Total	Canada	France and other[1]	United States	Total
Power production (GWh)								
Wind power stations	1,275	2,338	—	3,613	1,153	2,106	—	3,259
NRWF compensation	181	—	—	181	175	—	—	175
	1,456	2,338	—	3,794	1,328	2,106	—	3,434
Hydroelectric power stations	409	—	337	746	289	—	467	756
Thermal power stations	135	31	—	166	127	31	—	158
Solar power stations	—	21	—	21	1	22	—	23
	2,000	2,390	337	4,727	1,745	2,159	467	4,371
Revenues from energy sales and feed-in premium								
Wind power stations	210	316	—	526	195	276	—	471
Hydroelectric power stations	40	—	23	63	29	—	31	60
Thermal power stations	14	11	—	25	14	14	—	28
Solar power stations	—	5	—	5	—	5	—	5
	264	332	23	619	238	295	31	564
EBITDA(A)								
Wind power stations	210	254	—	464	187	225	—	412
Hydroelectric power stations	30	—	15	45	21	—	23	44
Thermal power stations	1	1	—	2	5	2	—	7
Solar power stations	—	5	(2)	3	—	4	—	4
Corporate and eliminations	(37)	(37)	(6)	(80)	(24)	(36)	(5)	(65)
	204	223	7	434	189	195	18	402
Additions to property, plant and equipment								
Wind power stations	—	124	—	124	22	89	—	111
Hydroelectric power stations	12	—	—	12	34	—	1	35
Thermal power stations	—	—	—	—	1	1	—	2
Solar power stations	—	1	2	3	—	—	4	4
Corporate	6	—	—	6	2	5	—	7
	18	125	2	145	59	95	5	159

(1) United Kingdom and Denmark.

	As at December 31 2020				As at December 31 2019			
	Canada	France and other[1]	United States	Total	Canada	France and other[1]	United States	Total
Total assets								
Wind power stations	2,441	2,082	—	4,523	1,878	1,854	—	3,732
Hydroelectric power stations	426	—	155	581	437	—	168	605
Thermal power stations	14	11	—	25	18	15	—	33
Solar power stations	2	32	24	58	2	30	11	43
Corporate	39	64	24	127	54	53	37	144
	2,922	2,189	203	5,314	2,389	1,952	216	4,557
Non-current assets[2]								
Wind power stations	2,251	1,835	—	4,086	1,568	1,685	—	3,253
Hydroelectric power stations	408	—	152	560	417	—	163	580
Thermal power stations	8	6	—	14	10	10	—	20
Solar power stations	1	28	15	44	1	28	4	33
Corporate	28	20	16	64	29	28	15	72
	2,696	1,889	183	4,768	2,025	1,751	182	3,958
Total liabilities								
Wind power stations	1,972	1,591	—	3,563	1,424	1,401	—	2,825
Hydroelectric power stations	140	—	96	236	151	—	105	256
Thermal power stations	5	3	—	8	4	3	—	7
Solar power stations	—	3	4	7	—	4	—	4
Corporate	411	88	10	509	511	73	6	590
	2,528	1,685	110	4,323	2,090	1,481	111	3,682

(1) United Kingdom and Denmark.
(2) Excludes *Interests in the Joint Ventures and associates.*

Reconciliation

	2020			2019		
	IFRS	Reconciliation[1]	Combined	IFRS	Reconciliation[1]	Combined
		Canada	Total		Canada	Total
Power production (GWh)[2]	4,727	1,107	5,834	4,371	1,173	5,544
Wind power stations[2]	3,794	1,107	4,901	3,434	1,173	4,607
Revenues from energy sales and feed-in premium	619	119	738	564	123	687
Wind power stations	526	119	645	471	123	594
EBITDA(A)	434	79	513	402	90	492
Wind power stations	464	77	541	412	87	499
Additions to property, plant and equipment	145	—	145	159	2	161
Wind power stations	124	—	124	111	2	113

(1) Includes the respective contribution of Joint Ventures and associates as a percentage of Boralex's interest, less adjustments to reverse recognition of these interests under IFRS.
(2) Includes the compensation for the equivalent of 181 GWh in light of the power limitation imposed on the NRWF facility for fiscal 2020 (175 GWh for fiscal 2019).

Note 26. Subsequent event

Acquisition of interests in seven solar power stations in the United States

On January 29, 2021 and as announced in December 2020, the Corporation acquired the majority interests in a portfolio of seven solar power stations in the United States for a cash consideration of $277 million (US$216.5 million), subject to adjustments provided for in the acquisition agreements. The Corporation's interest in these power stations in operation represents 209 MWac, while the interests acquired represent a net installed capacity of 118 MWac for Boralex. Five of the solar power stations are located in California, one in Alabama and the other in Indiana. They were commissioned between 2014 and 2017 and are covered by long-term power purchase agreements expiring between 2029 and 2046 with a weighted average remaining term of nearly 21.5 years. As at December 31, 2020 transaction costs amounted to $3 million.

At the same time as the acquisition, Boralex closed a long-term financing arrangement of $201 million (US$145 million). The loan interest rate is variable and is based on the LIBOR, plus a margin. The Corporation entered into an interest rate swap for this loan to cover approximately 90% of expected future interest cash flows. With this swap, the fixed portion of the rate is set at 2.51%. The loan, which covers about 71% of the acquisition price, will be amortized by quarterly payments over a 25-year period.

The Corporation is currently assessing the fair value of net assets acquired and will publish the preliminary purchase price allocation with fiscal 2021 first quarter results.

Financial and Market Highlights

For the years ended December 31

(in millions of Canadian dollars unless otherwise stated)	IFRS 2020	IFRS 2019	IFRS 2018	Combined[1] 2020	Combined[1] 2019	Combined[1] 2018
OPERATING RESULTS						
Power production (GWh)	4,727	4,371	3,568	5,834	5,544	4,305
Revenues from energy sales and feed-in premium						
Wind power stations	526	471	385	645	594	463
Hydroelectric power stations	63	60	49	63	60	49
Thermal power stations	25	28	31	25	28	31
Solar power stations	5	5	6	5	5	6
Total	**619**	**564**	**471**	**738**	**687**	**549**
EBITDA(A)[1]						
Wind power stations	464	412	310	541	499	363
Hydroelectric power stations	45	44	33	45	44	33
Thermal power stations	2	7	7	2	7	7
Solar power stations	3	4	5	3	4	5
Corporate and eliminations	(80)	(65)	(57)	(78)	(62)	(54)
Total	**434**	**402**	**298**	**513**	**492**	**354**
Net earnings (loss)	61	(43)	(38)	56	(43)	(38)
Net earnings (loss) attributable to shareholders of Boralex	55	(39)	(30)	50	(39)	(30)
per share	$0.55	($0.43)	($0.38)	$0.51	($0.43)	($0.38)
Net cash flows related to operating activities	362	294	202	399	303	235
Cash flows from operations[1]	338	310	192	378	327	208
Discretionary cash flows[1]	146	120	59			
CASH FLOWS						
Business acquisitions, net of cash acquired	98	-	108			
Increase in the interests in Joint Ventures and associates	-	5	205			
Addition to property, plant and equipment	145	159	282	145	161	282
Proceeds from disposal of assets	-	13	55			
Acquisition of energy sales contracts	11	18	24			
FINANCIAL POSITION						
Total assets	5,314	4,557	4,764	5,753	5,246	5,422
Debt, including current portion of debt	3,516	3,067	3,271	3,870	3,660	3,855
CLASS A SHARES INFORMATION						
Stock price	$47.24	$24.46	$16.84	$47.24	$24.46	$16.84
Return	93%	45%	(28%)	93%	45%	(28%)
Market capitalization (in billions)	4.8	2.4	1.5	4.8	2.4	1.5
Shares outstanding (in thousands)	102,617	96,464	89,184	102,617	96,464	89,184
Average shares outstanding (in thousands)	98,548	90,605	80,102	98,548	90,605	80,102
Dividends	66	60	50	66	60	50
per share	$0.66	$0.66	$0.63	$0.66	$0.66	$0.63
Dividend yield	2.7%	3.9%	2.7%	2.7%	3.9%	2.7%
Payout ratio[1]	45%	50%	85%			
Total return	96%	49%	(26%)	96%	49%	(26%)
CONVERTIBLE DEBENTURES INFORMATION						
Market price	-	-	$102.00	-	-	$102.00
Return	-	-	(18%)	-	-	(18%)
Shares outstanding (in thousands)	-	-	1,437	-	-	1,437
KEY RATIOS						
Net debt to market capitalization ratio[1]	41%	56%	65%	43%	60%	68%

[1] See the *Non-IFRS measure* section in Management's Discussion and Analysis.

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Additional copies of the following documents and other information can also be obtained at the above address or on Boralex's and SEDAR's websites:

» Annual Report
» Interim Reports
» Annual Information Form
» Management Proxy Circular

Pour obtenir une version française du rapport annuel, veuillez communiquer avec les Affaires publiques et corporatives de Boralex.

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SHAREHOLDER INFORMATION

Virtual meeting via live audio webcast at **https://web.lumiagm.com/262304484**, on May 5 at 11 a.m. Shareholders will not be able to attend the meeting in person. Information on how to participate and vote in this webcast can be found in the Proxy Circular.

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