

Management's Discussion and Analysis 1

As at March 31, 2019

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Profile

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

Boralex's shares and convertible debentures are listed on the Toronto Stock Exchange under the ticker symbols BLX and BLX.DB.A. As at March 31, 2019, the Caisse de dépôt et placement du Québec, one of Canada's largest institutional investors, held 19.9% of Boralex's outstanding shares.

Highlights

For the three-month periods ended March 31

	IFRS		Combined ⁽¹⁾	
	2019	2018	2019	2018
(in millions of Canadian dollars, unless otherwise specified) (unaudited)				
Power production (GWh)	1,274	1,055	1,669	1,203
Revenues from energy sales	172	152	214	168
EBITDA(A) ⁽¹⁾	131	104	154	114
Net earnings	28	23	28	23
Net earnings attributable to shareholders of Boralex	26	20	26	20
Per share – basic	\$0.29	\$0.26	\$0.29	\$0.26
Per share – diluted	\$0.28	\$0.26	\$0.28	\$0.26
Net cash flows related to operating activities	65	110	72	114
Cash flows from operations ⁽¹⁾	101	77	121	84
	As at March 31,	As at Dec 31,	As at March 31,	As at Dec 31,
Total assets	4,789	4,746	5,479	5,404
Debt, including non-current debt and current portion of debt	3,159	3,271	3,742	3,855

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

Combined – Non-IFRS measure

The combined information ("Combined") presented above and elsewhere in this management's discussion and analysis ("MD&A") results from the combination of the financial information of Boralex Inc. ("Boralex" or the "Corporation") under IFRS and the share of the financial information of the *Interests*. The *Interests* represent significant investments by Boralex and although IFRS does not permit the consolidation of their financial information within that of Boralex, management considers that information on a Combined basis is useful data to assess the Corporation's performance. In order to prepare the Combined information, Boralex first prepares its financial statements and those of the *Interests* in accordance with IFRS. Then, the *Interests in the Joint Ventures and associates, Share in earnings (losses) of the Joint Ventures and associates and Distributions received from the Joint Ventures and associates* line items are replaced by Boralex's respective share (ranging from 50% to 59.96%) in the financial statement items of the *Interests* (revenues, expenses, assets, liabilities, etc.). We refer you to the *Non-IFRS measures* section for more information.

Abbreviations and definitions

In alphabetical order

2016 FiP	2016 feed-in premium
AESO	Alberta Electricity System Operator
Caisse	Caisse de dépôt et placement du Québec
CPI	Consumer price index
Cube	Cube Energy SCA
DC&P	Disclosure controls and procedures
DM I and DM II	Des Moulins Wind Power L.P.
EBITDA	Earnings before taxes, interest, depreciation and amortization
EBITDA(A)	Earnings before taxes, interest, depreciation and amortization adjusted to include other items
EDF	Électricité de France
GAAP	Generally Accepted Accounting Principles
GWh	Gigawatt-hour
HQ	Hydro-Québec
ICFR	Internal control over financial reporting
IESO	Independent Electricity System Operator
IFER	Flat-rate tax on network businesses (France)
IFRS	International Financial Reporting Standards
Interests	Interests in the Joint Ventures and associates
Invenergy	Invenergy Renewables LLC
Kallista	Kallista Energy Investment SAS and KE production SAS
LP I	Le Plateau Wind Power L.P.
LP II	Le Plateau Community Wind Power L.P.
MW	Megawatt
MWh	Megawatt-hour
NMPC	Niagara Mohawk Power Corporation
NRWF	Niagara Region Wind Farm
REP	Renewable Electricity Program
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
Target run rate	Estimated EBITDA under the assumption that all of the assets in operation at the end of the year were in operation for the whole year.
Anticipated production	Historical averages for the oldest sites adjusted for planned facility commissioning and shutdowns and production forecasts for the other sites.

Introductory comments

General

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

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

In this MD&A, Boralex or the Corporation means, as applicable, either Boralex and its subsidiaries and divisions or Boralex or one of its subsidiaries or divisions. The information contained in this MD&A reflects all material events up to May 7, 2019, the date on which the Board of Directors approved this interim MD&A and the unaudited interim financial statements. Unless otherwise indicated, the financial information presented in this MD&A, including tabular amounts, is prepared in accordance with IFRS under Part I of the CPA Canada Handbook. The unaudited interim consolidated financial statements included in this MD&A have been prepared according to IFRS applicable to the preparation of financial statements, IAS 1, *Presentation of Financial Statements*, and contain comparative figures for 2018.

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

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

Notice concerning forward-looking statements

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

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

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

Boralex wishes to point out that, by their very nature, forward-looking statements involve risks and uncertainties such that its results or the measures it adopts could differ materially from those indicated by or underlying these statements, or could have an impact on the degree of realization of a particular projection. The main factors that could lead to a material difference between the Corporation's actual results and the forward-looking financial information or expectations set forth in the forward-looking statements include, but are not limited to, the general impact of economic conditions, currency fluctuations, volatility in energy selling prices, the Corporation's financing capacity, competition, changes in general market conditions, the regulations governing the industry and raw material price increases and availability, regulatory disputes and other issues related to projects in operation or under development, as well as other factors described in the sections *Outlook and development objectives* and *Risk factors and uncertainties* of the Corporation's Annual Report for the year ended December 31, 2018.

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

Description of business

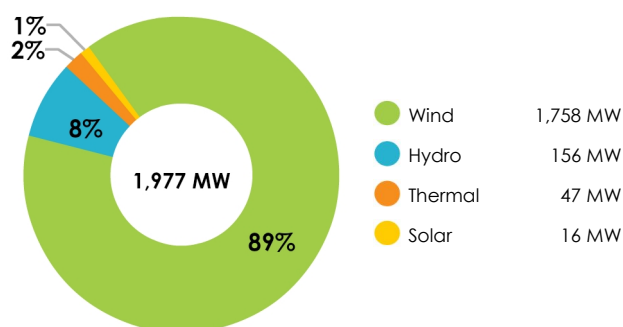
Boralex is a Canadian corporation operating in the renewable energy segment. It draws on a workforce of over 415 people to develop, build and operate power generating facilities in Canada, France, the United States and the United Kingdom. As at March 31, 2019, its asset base of installed capacity under its management comprised 1,977 MW⁽¹⁾. Asset development projects in progress represent an additional 108 MW, to be commissioned by the end of 2020. The following charts provide information about the makeup of the Corporation's energy portfolio in operation as at March 31, 2019.

Segment breakdown

The **wind** power segment accounts for a large majority (89%) of installed capacity. Projects under development and under construction will add 82 MW by the end of 2020.

The Corporation's 15 **hydroelectric** power stations make up 8% of installed capacity. The commissioning of the 16th power station (16 MW) is planned for the second quarter of 2019 in Ontario while work is underway to increase capacity by 10 MW in 2019 at the Buckingham power station in Québec.

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

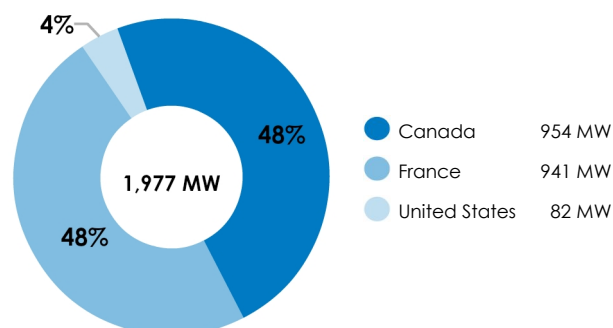


Geographic breakdown

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

In **France**, a large portion of Boralex's installed capacity originates from wind farms, totalling 914 MW, making it France's largest independent producer of onshore wind power. The wind farms are complemented by a natural gas cogeneration power station and two solar energy facilities. Projects under development will add a total of 82 MW.

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

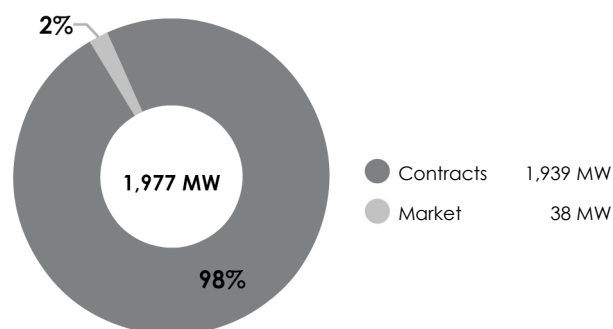


Breakdown of sources of revenues from energy sales

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

The Corporation estimates that the equivalent of 224 MW (11% of installed capacity or 8% of expected current production) covered by contracts expiring through March 2024 will then be sold at market prices if new contracts have not been negotiated beforehand.

These contracts have a weighted average remaining contractual term of **13 years**.



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

Growth strategy and recent developments

Growth strategy

Boralex has adopted a strategy to drive above-average, balanced and sustainable financial growth. It entails developing its assets and generating higher revenue streams and cash flows, while mitigating its business risks. The main elements of this strategy, discussed under *Growth strategy* in the Corporation's 2018 Annual Report, are as follows:

- **Acquisition, development and operation of renewable energy assets covered by long-term indexed, fixed-price energy sales contracts or to be submitted in connection with competitive requests for proposals;**

In an increasingly competitive environment in France and in light of a transition from long-term, fixed-price contracts to a tendering system, Boralex's development team leveraged nearly 20 years of hands-on experience to proactively identify and secure excellent locations in terms of wind resources and land rights, representing a major competitive edge today.

- **Financial discipline to provide long-term returns exceeding the Corporation's cost of capital, particularly in its areas of expertise - wind, hydroelectric and solar power;**
- **Focus of development initiatives mainly in North America and Europe.**

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

- Structural improvement in operating margins for the Corporation in light of the higher weights of more profitable segments;
- Greater medium- and long-term stability in operating results and cash flows from operations due to long-term sales contracts, matching the borrowing maturities for its various production facilities to their energy sales contract expiry dates and greater geographic diversification of the Corporation's assets;
- Maintaining a solid cash position and reasonable debt levels through significant cash flows from operations and a series of financial transactions providing the Corporation with greater financial flexibility and strength;
- The introduction of a dividend in 2014, which has since been increased four times, including an increase of about 10% in declared dividends since the beginning of fiscal 2018, which reflects the Corporation's solid growth in recent years and confidence in its development prospects.

From the end of 2013 to March 31, 2019, the compound annual growth rate of the share price was 12%. This growth, combined with the issuance of new shares, increased Boralex's market capitalization from \$409 million at the end of 2013 to \$1.7 billion as at March 31, 2019. During the same period, the Corporation also paid a dividend representing an average annual return of 4% and a compound annual growth rate of 5%.

Developments

Acquisitions and commissioning – Since January 1, 2018

The table below shows the Corporation's acquisitions and commissioning at various times since January 1, 2018, representing an increase of 486 MW in 2018 and 35 MW since the beginning of 2019. The assets acquired or commissioned in 2018 will contribute to the Corporation's results for all of fiscal 2019.

Project name	Date ⁽¹⁾	Total capacity (MW)	Country	Energy contract term	Ownership (%)
Kallista	June 20	163	France	15 years/EDF	Note ⁽²⁾
DM I and DM II, LP I, LP II and Roncevaux	September 14	201	Canada	Note ⁽³⁾	Note ⁽⁴⁾
Inter Deux Bos	September 24	33	France	15 years/EDF	100
Noyers Bucamps	November 1	10	France	15 years/EDF	100
Hauts de Comble	November 5	20	France	15 years/EDF	100
Côteaux du Blaiseron	November 9	26	France	15 years/EDF	100
Le Pelon	January 1, 2019 ⁽⁵⁾	10	France	15 years/EDF	100
Sources de l'Ancre	January 1, 2019 ⁽⁵⁾	23	France	15 years/EDF	100
2018		+ 486 MW	Installed capacity: 1,942 MW		
Basse Thiérache Nord	February 1 and March 1, 2019 ⁽⁶⁾	20	France	15 years/EDF	100
Moose Lake	April 4 ⁽⁷⁾	15	Canada	40 years	70
2019		+ 35 MW	Installed capacity: 1,977 MW		

⁽¹⁾ Dates of acquisition and commissioning by Boralex.

⁽²⁾ 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.

⁽³⁾ These contracts have a weighted average remaining contractual term of 16 years from the acquisition date.

⁽⁴⁾ See the *Interests in the Joint Ventures and associates* note in the 2018 Annual Report.

⁽⁵⁾ Owing to administrative restrictions, the energy sales contract entered into force on January 1, 2019. However, since the facility was already operational, it is therefore considered as a 2018 commissioning.

⁽⁶⁾ Four wind turbines were commissioned on February 1, 2019 and two wind turbines were commissioned on March 1, 2019.

⁽⁷⁾ Owing to administrative restrictions, the energy sales contract entered into force 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.

Other developments

2018

Boralex's Board of Directors green-lighted four new projects, three in France and one in Canada. These projects, all to be commissioned between 2019 and 2020 are as follows:

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

Note that the **Santerre** and the repowering of **Cham Longe I** projects were selected under the June 2018 tender for onshore wind power and will be built under this scenario, which means that they will be covered by 20-year energy sales contracts.

On December 20, 2018, Boralex closed an agreement to acquire the last tranche of Ecotera's wind power project portfolio. Under this agreement, the Corporation acquired eight wind power projects at different stages of development, for a total capacity of more than 100 MW. This purchase agreement also includes the acquisition of the Ecotera entity whose multidisciplinary team has solid expertise in wind farm development.

2019

On March 5, 2019, the Administrative Court of Appeal of Nantes rendered decisions favourable to Boralex regarding the 51 MW **Moulins du Lohan** project. On July 7, 2017, the Administrative Tribunal of Rennes had cancelled the construction permits for the project. Work was then suspended while Boralex appealed the decision. The Société pour la protection des paysages et de l'esthétique de la France ("SPPEF") has indicated by way of a press release issued on May 7, 2019, that it intended to challenge the decision of the Administrative Court of Appeal and would file an appeal in cassation to the Council of State.

The Corporation announced on March 18, 2019 that it will be withdrawing from the consortium that submitted a proposal to the government of France under a tender for building an offshore wind farm in Dunkirk. After a careful review of changes in the tender's competitive conditions and the project risk profile, Boralex concluded that its interest in the consortium no longer satisfied its investment criteria. As the joint venture agreement includes an option to sell its interest, the Corporation decided to exercise the option and sell all of its interest to the other consortium members immediately after the final selection of the winner(s) of the tender, as soon as the option could be exercised in accordance with the tender specifications, French regulations and the joint venture agreement.

The Board of Directors of Boralex gave the green light to the 17 MW **Extension Seuil de Bapaume** wind power project in France acquired from Ecotera which will be commissioned in the second half of 2020.

Significant financial transactions

2018

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

Also on March 29, 2018, the Corporation confirmed a joint investment totalling \$200 million by the Caisse, a shareholder of the Corporation, and Fonds de solidarité FTQ in the form of unsecured subordinated debt maturing on March 29, 2028, subject to certain conditions. This financing included a second \$100 million exercise option, which was drawn down on July 24, 2018 to provide partial long-term financing for the Kallista acquisition.

On June 20, 2018, the Corporation announced it had entered into agreements to acquire Invenenergy's interests in five wind farms in Québec for \$216 million. The Corporation then completed a public offering of 10,247,650 subscription receipts on July 11, 2018 at a price of \$20.20 per subscription receipt for gross proceeds of \$207 million (including the exercise in full of the underwriters' over-allotment option). The Corporation also entered into a subscription agreement pursuant to which the Caisse acquired, by way of private placement, 2,562,200 subscription receipts at a price of \$20.20 per subscription receipt for gross proceeds of \$52 million, including the exercise in full of its option to acquire additional subscription receipts from the private placement simultaneously and proportionately with the exercise of the over-allotment option by the underwriters. The net proceeds of \$250 million from the share issuance were used primarily to finance the acquisition of wind farms and meet some of Corporation's general working capital requirements. On September 14, 2018, upon the closing of the acquisition of Invenenergy's interest, the subscription receipts were exchanged in full for an equal number of common shares of Boralex.

On November 13, 2018, the Corporation closed long-term financing for four wind farms under constructions in France for a total amount of \$193 million (€124 million), including \$28 million (€18 million) for a value-added tax bridge financing facility. These wind farms are **Basse Thiérache Nord** (20 MW), **Catéris** (10 MW), **Seuil du Cambrésis** (24 MW) and **Cham Longe** (whose capacity will increase from 18 MW to 35 MW).

On April 25, 2019, Boralex Europe Sàrl closed the refinancing of a debt totalling \$60 million (€40 million) owed to Cube Hydro-Power SÀRL with the Caisse, shareholder of the Corporation. The credit agreement stipulates a maturity date in five years with repayment of the full amount of the loan on the maturity date. The loan will bear interest at a variable rate up to the date of conversion, which is for a maximum period of 12 months. Subsequently, the rate will be fixed.

Dividend

The Corporation maintains its objective of paying an annual ordinary dividend equivalent to a dividend payout ratio of between 40% and 60% of discretionary cash flows. As at March 31, 2019, discretionary cash flows totalled \$72 million and the payout ratio stood at 75%.

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

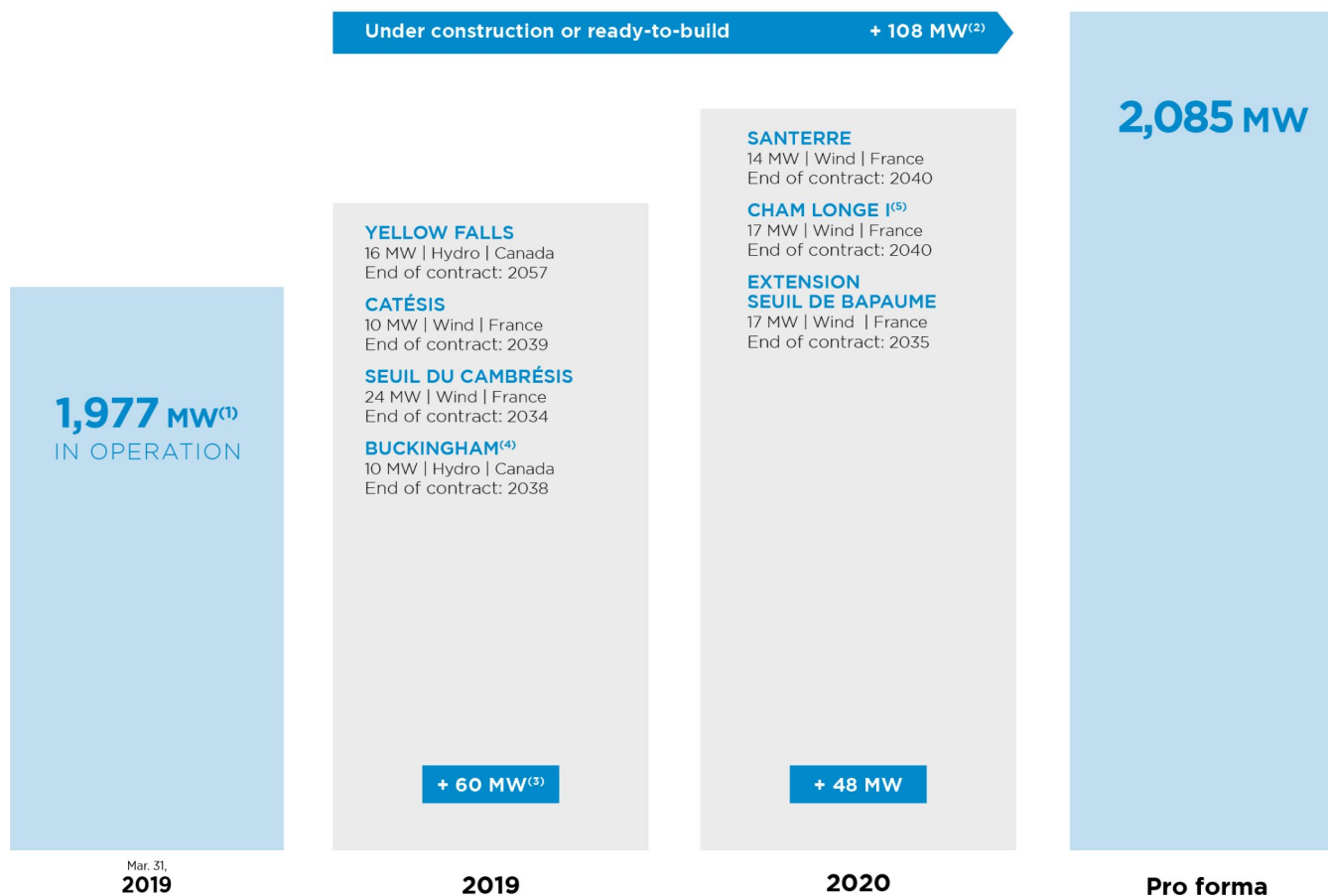
In fiscal 2018, the Board of Directors authorized two increases in the annual dividend, an initial increase of 5% in May and a second increase of 4.8%, following the acquisition of Invenenergy's interests in five wind farms in Québec, bringing the total increase in the dividend since the beginning of fiscal 2018 to 10%.

Accordingly, the annual dividend declared initially increased from \$0.60 to \$0.63 per common share (from \$0.1500 to \$0.1575 on a quarterly basis) and then to the current amount of \$0.66 per share (\$0.1650 on a quarterly basis).

Outlook and development objectives

Boralex continues to implement its growth strategy focusing on the outlook for each of its operating segments. These outlooks are detailed in the *Growth strategy* section of the Corporation's 2018 Annual Report. We discuss here the key elements involving priority actions for the current fiscal year.

Growth path⁽¹⁾



⁽¹⁾ This data, as well as all the data contained in the Interim Report as at March 31, 2019, reflects 100% of Boralex subsidiaries in which the Corporation is the controlling shareholder. The data also reflects Boralex's share in entities over which it does not have control which are accounted for using the equity method in the Interim Report as at March 31, 2019, consisting of 170 MW in the Joint Ventures operating the Seigneurie de Beaupré Wind Farms in Québec, representing 50% of the total installed capacity of 340 MW, plus 201 MW from five wind farms in Québec, following the acquisition of Invenergy's interests in these facilities which was completed on September 14, 2018.

⁽²⁾ France 82 MW | Canada 26 MW

⁽³⁾ Hydro 26 MW | Wind 34 MW

⁽⁴⁾ Project whose current capacity of 10 MW is to increase to 20 MW.

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

Projects in development stage

Wind

The wind power segment accounts for 89% of Boralex's total installed capacity and remains its top growth vector. Boralex has nearly doubled its wind power segment operating asset base over the past three years through both acquisitions and newly commissioned facilities.

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

Boralex also has a unique development strategy based on two main geographic areas: Europe and North America. This strategy not only affords geographic and climate diversification that could have a smoothing effect on its results, but also provides access to a wider range of growth opportunities and the latitude to capitalize on differently evolving target markets.

Fiscal 2019

Boralex's wind power segment began fiscal 2019 with 486 MW in additional installed capacity compared with a year earlier due to the prior year's commissioning and acquisitions. These wind farms will contribute to its operating and financial performance throughout fiscal 2019. In addition, the **Basse Thiérache Nord** (20 MW) wind farm will contribute to performance starting February 1, 2019 (four wind turbines) and March 1, 2019 (two wind turbines), and so will the **Moose Lake** (15 MW) wind farm starting April 4, 2019.

Also, as set out in the *Growth path*, Boralex plans to add five new wind farms for an additional installed capacity of 34 MW in 2019 and 48 MW in 2020. All covered by long-term indexed, fixed-price energy sales contracts, these assets will contribute to the Corporation's results as they are commissioned (see the *Summary of projects in development stage table*).

Boralex will continue in future years to leverage its expertise for developing, financing, building and operating wind farms in **North America** and in **Europe**.

North America

Boralex made its initial foray into **British Columbia's** wind power sector with the commissioning of the **Moose Lake** wind farm on April 4, 2019.

Elsewhere in Canada, **Alberta** is the market with the greatest growth potential, particularly as a result of AESO's REP tendering program or any subsequent programs. Boralex continues to leverage its partnership with developer AVEC and participate in competitions called under this energy transition program.

In the **United States**, Boralex intends to position itself to seize opportunities arising from the energy transition. The Corporation intends to deploy resources to explore acquisition or partnership opportunities with local developers, focusing on the New England and East Coast states, where it already has a presence with its hydroelectric power stations, particularly since these states are highly populated and open to renewable energy.

Europe

Boralex is deploying the efforts required to accelerate its development in France, which offers significant wind power development potential. Boralex also has a portfolio of potential projects at various stages of development totalling over 1,000 MW. In France, in light of its long-term presence and deep knowledge of this market, the Corporation can draw on its numerous strengths to capitalize on the favourable environment for the growth of the renewable energy sector, particularly wind power. The Corporation will actively participate in tenders scheduled up to the end of 2020 for building onshore wind farms with an installed capacity of 3,400 MW and a 20-year contract each. Note that following the June 2018 tender, only 118 MW was awarded out of a potential of 500 MW with Boralex winning the lion's share of a total of 49 MW for the **Santerre** and **Cham Longe I** projects. Boralex has also submitted bids for 118 MW of projects under the most recent 500 MW call for tenders in April 2019.

Considering the low participation, the French government has relaxed the rules for the next period of tenders scheduled for April 2019 by accepting projects that are yet to obtain all the required authorizations and licences. Three other tendering rounds are scheduled up to summer 2020. Boralex should be able to submit proposals for capacity of several hundreds of MW whether or not the relaxed rules are maintained for future periods.

In the **United Kingdom**, Boralex is well placed to penetrate the market following the acquisition of a portfolio of projects in September 2016 combined with the partnership entered into in October 2017 with Infinergy. The Corporation owns the rights to a large pipeline of projects, mainly in Scotland, representing a total installed capacity of about 300 MW. Boralex continues to develop these projects with a view to capitalizing on new opportunities that meet its economic criteria.

Hydroelectric

In October 2018, the Corporation has provided the IESO with all the required documents for **Yellow Falls**, its first power station in Ontario, to be deemed commissioned under the terms of the power purchase agreement. It is currently in the final stages of commissioning scheduled for the second quarter of 2019. The commissioning of this power station will increase the Corporation's installed capacity in the hydroelectric power segment to 172 MW and should generate annual EBITDA of approximately \$7 million. The energy produced will be sold under a contract with a total term of 40 years.

Work at the **Buckingham** hydroelectric power station is still underway. Replacement of a number of turbines will double the installed capacity to 20 MW, adding some \$5 million to the Corporation's annual EBITDA. The new turbines will be commissioned in the second half of 2019. The power station will not produce any power during the entire work period from September 2018 up to commissioning. Québec's Ministry of the Environment and the Fight against Climate Change has issued all of the certificates of authorization required for construction; steps have been taken as planned to obtain the certificates required for operating the power station.

Thermal

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

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

Summary of projects in development stage

Within the extensive pipeline of projects recently acquired or launched by the Corporation, primarily in the wind power segment, the projects listed below are in the advanced development stage and are to be commissioned by the end of 2020.

Project name	Total capacity (MW)	Segment/Country	Energy contract term/Client	Ownership (%)	Expected commissioning	Total project investment ^{(1) (2)}	Estimated annual EBITDA ⁽²⁾
Yellow Falls	16	Hydro/Canada	40 years/IESO ⁽³⁾	100	1 st half of 2019	\$101 million	\$7 million
Catésis	10	Wind/France	20 years/EDF	100	1 st half of 2019	€18 million	€2 million
Seuil du Cambrésis	24	Wind/France	15 years/EDF	100	2 nd half of 2019	€40 million	€5 million
Buckingham ⁽⁴⁾	20	Hydro/Canada	25 years/HQ	100	2 nd half of 2019	\$50 million	\$8 million
Santerre	14	Wind/France	20 years/EDF	100	1 st half of 2020	€26 million	€3 million
Cham Longe II ⁽⁵⁾	35	Wind/France	20 years/EDF	100	2 nd half of 2020	€45 million	€6 million
Extension Seuil de Bapaume	17	Wind/France	15 years/EDF	100	2 nd half of 2020	€27 million	€3 million

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

⁽²⁾ See *Notice concerning forward-looking statements*.

⁽³⁾ The total 40-year contract includes four renewal options, each for a five-year period, at Boralex's discretion.

⁽⁴⁾ This 10 MW increase in installed capacity to result in the addition of \$5 million to current EBITDA.

⁽⁵⁾ This 17 MW increase in installed capacity to result in the addition of €4 million to current EBITDA.

Overall, the projects included in the table above represent a total planned investment of \$384 million and an estimated additional contribution to annual EBITDA of \$39 million. Note that \$167 million has been invested as at March 31, 2019 and Boralex plans to invest \$217 million to complete these projects. The total investment will be financed by debt up to about \$270 million.

Solar

Boralex continues to make the necessary effort to capitalize on the potential of the solar power sector. The Corporation is leveraging its existing facilities - two in France, known as **Avignonet-Lauragais** (5 MW) and **Les Cigalottes** (10 MW), and one in Ontario, namely **Vaughan** (under 1 MW) - to strengthen its expertise in this sector.

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

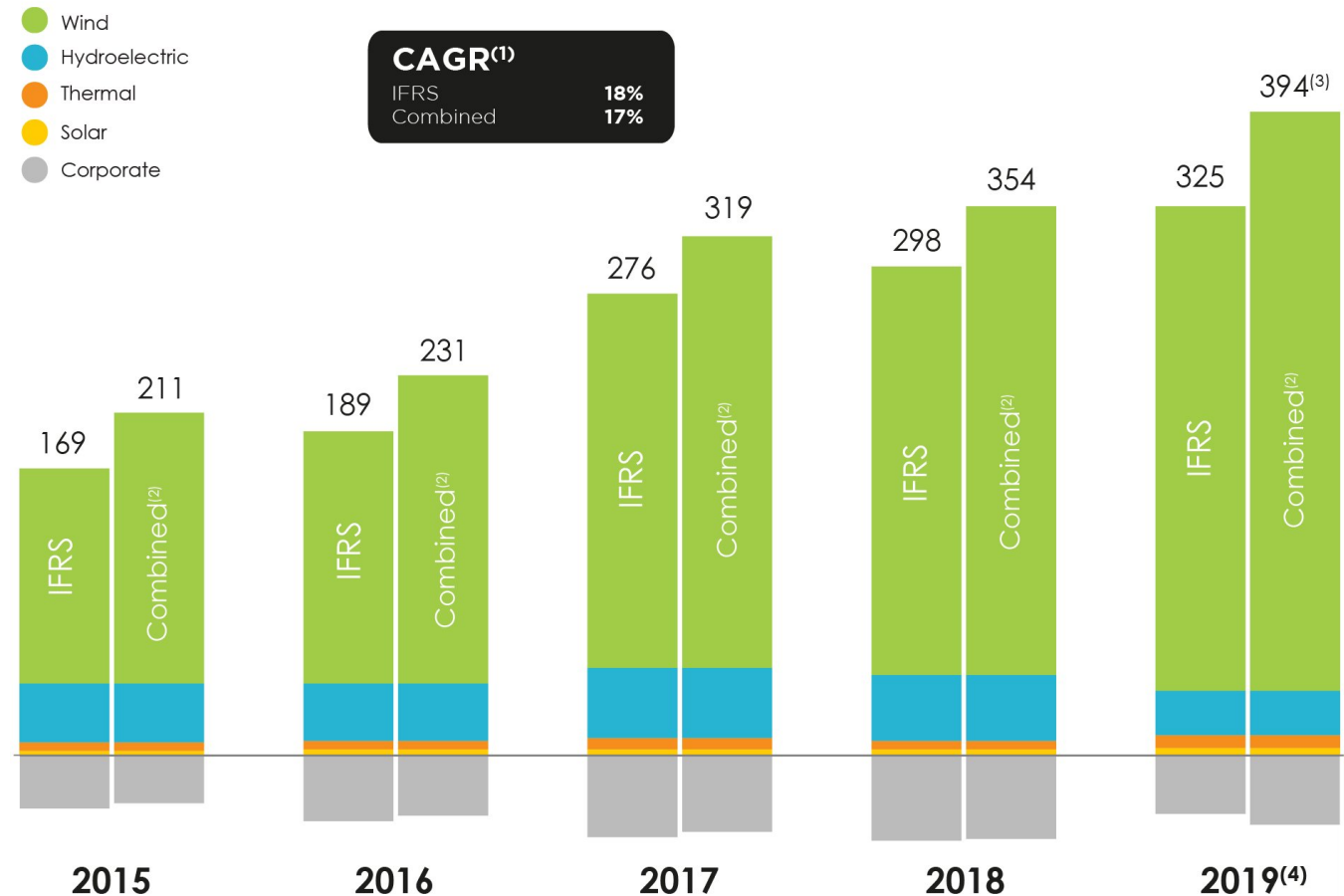
In addition, the Corporation intends to deploy resources to develop a network of small- and medium-sized solar energy facilities in Northeastern United States, an area requiring special expertise and where competition is less intense.

Growth outlook

As shown in the *Growth path* chart above and the following *Historical data* chart, Boralex's outlook is closely linked to prospects in the wind power segment, given its dominant position in the Corporation's energy portfolio and the strong growth potential of its project pipeline. Since the beginning of 2015, the Corporation has generated sustained and strong EBITDA(A) growth, driven essentially by the significant development of its wind power assets, and supported by its sound and flexible financial position and the expertise of its teams. The initial target of 2,000 MW will be achieved in 2019, ahead of schedule.

Historical data

EBITDA(A) (in millions of Canadian dollars)



⁽¹⁾ Compound annual growth rate for the 2015-2019 period.

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

⁽³⁾ 12-month period ended March 31, 2019 (Q1-19: \$154 million; Q4-18: \$121 million; Q3-18: \$51 million and Q2-18: \$68 million, for a total amount of \$394 million).

⁽⁴⁾ 12-month period ended March 31, 2019.

2019-2020 Outlook: Disciplined and profitable growth

Including the facilities slated for commissioning in the *Growth path*, the Corporation will achieve an installed capacity of 2,085 MW by the end of 2020, on a Combined basis, which exceeds the set target of 2,000 MW. As this target will be achieved earlier than expected, and taking into account its market analysis and current status of the project portfolio, the Corporation's management has started to update its strategic plan, which will lead to the setting of new targets for future years. These targets are expected to be announced on June 18, 2019.

That said, considering the significant increase in installed capacity during fiscal 2018, the scheduled commissioning and a possible increase in corporate and development costs reflecting the Corporation's future growth, management set an annualized 2020 year-end EBITDA target ("target run rate") ranging from \$390 million to \$410 million under the previous standard IAS 17, *Leases* (\$480 million to \$500 million on a Combined basis) on the assumption that all assets were to be operational for the full year.

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

- The revolving credit facility of \$460 million maturing on April 27, 2022, including the option to draw down an additional \$100 million with the addition of an accordion clause;
- Significant cash flows generated by operations;
- Protection against interest rate fluctuations as a result of the use of interest rate swaps or fixed-rate debt instruments, along with effective matching of borrowing and energy sales contracts terms.

Priority objective: Creating value

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

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

Seasonal factors

(in millions of Canadian dollars, unless otherwise specified) (unaudited)	Three-month periods ended				Twelve-month period ended
	June 30, 2018	September 30, 2018	December 31, 2018	March 31, 2019	March 31, 2019
POWER PRODUCTION (GWh)					
Wind power stations	490	415	852	1,038	2,795
Hydroelectric power stations	194	118	170	159	641
Thermal power stations	57	8	40	72	177
Solar power stations	6	7	3	5	21
	747	548	1,065	1,274	3,634
REVENUES FROM ENERGY SALES					
Wind power stations	73	64	123	146	406
Hydroelectric power stations	14	10	11	12	47
Thermal power stations	7	3	9	13	32
Solar power stations	1	2	2	1	6
	95	79	145	172	491
EBITDA(A)⁽¹⁾					
Wind power stations	58	46	105	130	339
Hydroelectric power stations	10	5	8	8	31
Thermal power stations	1	—	2	6	9
Solar power stations	1	2	1	1	5
	70	53	116	145	384
Corporate and eliminations	(13)	(14)	(18)	(14)	(59)
	57	39	98	131	325
NET EARNINGS (LOSS)	(33)	(40)	6	28	(39)
NET EARNINGS (LOSS) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX	(28)	(34)	6	26	(30)
NET EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX – BASIC	(\$0.36)	(\$0.43)	\$0.06	\$0.29	(\$0.36)
NET EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX – DILUTED	(\$0.36)	(\$0.43)	\$0.06	\$0.28	(\$0.36)
NET CASH FLOWS RELATED TO OPERATING ACTIVITIES	52	17	23	65	157
CASH FLOWS FROM OPERATIONS⁽¹⁾	21	23	71	101	216
Weighted average number of shares outstanding – basic	76,318,743	78,552,595	89,155,304	89,184,932	83,289,798

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

Seasonal factors

(in millions of Canadian dollars, unless otherwise specified) (unaudited)	Three-month periods ended				Twelve-month period ended
	June 30, 2017	September 30, 2017	December 31, 2017	March 31, 2018	March 31, 2018
POWER PRODUCTION (GWh)					
Wind power stations	488	385	676	824	2,373
Hydroelectric power stations	231	166	159	166	722
Thermal power stations	18	47	31	61	157
Solar power stations	7	7	5	4	23
	744	605	871	1,055	3,275
REVENUES FROM ENERGY SALES					
Wind power stations	68	52	107	125	352
Hydroelectric power stations	19	15	14	14	62
Thermal power stations	3	5	7	12	27
Solar power stations	2	2	1	1	6
	92	74	129	152	447
EBITDA(A)⁽¹⁾					
Wind power stations	53	36	95	101	285
Hydroelectric power stations	15	11	10	10	46
Thermal power stations	(1)	1	2	4	6
Solar power stations	1	1	1	1	4
	68	49	108	116	341
Corporate and eliminations	(11)	(10)	(15)	(12)	(48)
	57	39	93	104	293
NET EARNINGS (LOSS)	(7)	(26)	28	23	18
NET EARNINGS (LOSS) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX	(2)	(17)	26	20	27
NET EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX – BASIC	(\$0.03)	(\$0.23)	\$0.34	\$0.26	\$0.31
NET EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX – DILUTED	(\$0.03)	(\$0.23)	\$0.32	\$0.26	\$0.31
NET CASH FLOWS RELATED TO OPERATING ACTIVITIES	38	36	17	110	201
CASH FLOWS FROM OPERATIONS⁽¹⁾	44	24	69	77	214
Weighted average number of shares outstanding – basic	75,874,562	75,991,810	76,174,741	76,256,796	76,073,318

⁽¹⁾ See the Non-IFRS measures section.

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

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

Wind

For the wind power assets in operation in which Boralex's share totals 1,758 MW, wind conditions both in France and Canada are usually more favourable in the winter, which falls during Boralex's first and fourth quarters. However, in winter there is a greater risk of lower production caused by weather conditions, such as icing. More specifically, management estimates the breakdown of wind power segment production at approximately 60% for the first and fourth quarters and 40% for the second and third quarters.

With the wind farms on the *Growth path* slated for commissioning by the end of 2020, which will add 82 MW to the wind power segment's installed capacity, it is expected that a growing portion of the Corporation's total revenues will be generated in the first and fourth quarters of the coming years.

Hydroelectric

The hydroelectric assets have an installed capacity of 156 MW as at March 31, 2019 and will increase to 182 MW with the commissioning of the Yellow Falls project expected in the second quarter of 2019 and the increase in capacity at the Buckingham power station at the end of 2019. The energy produced depends on water flow, which in Canada and the Northeastern United States is typically at a maximum in spring and high in the fall, corresponding to Boralex's second and fourth quarters. Historically, water flow tends to decrease in winter and summer. However, over a long-term horizon, there may be variations from year to year due to short-term weather conditions. In general, management estimates the breakdown of annual hydroelectric power generated at approximately 60% for the second and fourth quarters and 40% for the first and third quarters. Note that apart from four hydroelectric power stations whose water flow is regulated upstream and is not under the Corporation's control, Boralex's other hydroelectric facilities do not have reservoirs that would permit water flow regulation during the year.

Thermal

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

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

Solar

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

Financial highlights

(in millions of Canadian dollars, unless otherwise specified) (unaudited)	Three-month periods ended March 31	
	2019	2018
POWER PRODUCTION (GWh)		
Wind power stations	1,038	824
Hydroelectric power stations	159	166
Thermal power stations	72	61
Solar power stations	5	4
	1,274	1,055
REVENUES FROM ENERGY SALES		
Wind power stations	146	125
Hydroelectric power stations	12	14
Thermal power stations	13	12
Solar power stations	1	1
	172	152
EBITDA(A)⁽¹⁾		
Wind power stations	130	101
Hydroelectric power stations	8	10
Thermal power stations	6	4
Solar power stations	1	1
	145	116
Corporate and eliminations	(14)	(12)
	131	104
NET EARNINGS	28	23
NET EARNINGS ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX	26	20
NET EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX – BASIC	\$0.29	\$0.26
NET EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX – DILUTED	\$0.28	\$0.26
NET CASH FLOWS RELATED TO OPERATING ACTIVITIES	65	110
CASH FLOWS FROM OPERATIONS⁽¹⁾	101	77
DIVIDENDS PAID ON COMMON SHARES	15	11
DIVIDENDS PAID PER COMMON SHARE⁽¹⁾	\$0.1650	\$0.1500
Weighted average number of shares outstanding – basic	89,184,932	76,256,796

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

Statement of financial position data

(in millions of Canadian dollars, unless otherwise specified) (unaudited)	As at March 31, 2019	As at December 31, 2018
	2019	2018
Total cash, including restricted cash	191	253
Property, plant and equipment	2,813	2,941
Total assets	4,789	4,746
Debt, including non-current debt and current portion of debt	3,159	3,271
Liability component of convertible debentures	140	140
Total liabilities	3,935	3,845
Total equity	854	901
Net debt to market capitalization ratio ⁽¹⁾ (%)	62	65

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

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

Revenues from energy sales up 13% due to contributions from assets acquired and commissioned over the past 12 months.

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

(in millions of Canadian dollars) (unaudited)	Revenues from energy sales	EBITDA(A) ⁽¹⁾
THREE-MONTH PERIOD ENDED MARCH 31, 2018	152	104
Acquisitions/commissioning ⁽²⁾	27	20
Share of the Interests - five wind farms in Québec	—	5
Other share of the Interests	—	5
Volume	(4)	(4)
Capacity premiums	(1)	(1)
Foreign exchange effect	(2)	(1)
Leases - IFRS 16	—	3
Change	20	27
THREE-MONTH PERIOD ENDED MARCH 31, 2019	172	131

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

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

Revenues from energy sales

For the three-month period ended March 31, 2019, revenues from energy sales totalled \$172 million, up \$20 million or 13% compared with the results of the corresponding quarter of 2018. This increase was mainly driven by the expansion of the Corporation's operating base in the wind power segment in France since the end of the first quarter of 2018.

The full-quarter contribution of the six wind farms commissioned in France in 2018 and the Kallista facilities acquired on June 20, 2018, plus the Basse Thiérache Nord wind farm starting February 1, 2019 and March 1, 2019, resulted in a \$27 million favourable difference. This increase was partially offset by a \$4 million unfavourable effect resulting from lower production volumes from existing French wind farms, the shutdown of the Buckingham power station to expand capacity and the decline in volume in the wind power segment in Ontario. Note that despite the decline in production at French wind farms compared with the first quarter of 2018, production volume for the first quarter of 2019 did however exceed long-term expectations for the segment.

These decreases were not completely offset by the favourable difference resulting from higher production at the Québec wind farms and U.S. hydroelectric power stations. In addition, fluctuations in the exchange rate of the euro against the Canadian dollar resulted in a \$2 million unfavourable difference, while the change in power premiums resulted in a \$1 million decrease, owing primarily to the Buckingham power station shutdown.

The **wind** power segment remains the Corporation's main growth driver, with revenues up 17% due to contributions from assets acquired and commissioned since the end of the first quarter of 2018 and higher production volumes at Canadian wind farms. Overall, the wind power segment accounted for 84% of consolidated revenues in the first quarter of 2019.

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

- **Hydroelectric** power segment revenues fell 15% to \$12 million, representing 7% of consolidated revenues for the past quarter. This decline resulted primarily from the production shutdown at the Buckingham power station.
- **Thermal** power segment revenues were up 8% to \$13 million for the first quarter of 2019, representing 8% of consolidated revenues.
- **Solar** power segment revenues were stable at \$1 million.

In all, Boralex produced 1,274 GWh of electricity in the first quarter of 2019 (excluding its share of the production of the Interests) compared with 1,055 GWh for the same period last year. Excluding contributions from newly acquired and commissioned power stations since March 31, 2018, production at existing power stations remained relatively stable given the slight 1% increase year over year. As such, favourable performance at Canadian wind farms offset the decline at existing French wind farms. In addition, U.S. hydroelectric power stations posted higher volumes than a year earlier, partially offsetting lower production at Canadian power stations.

EBITDA(A)

Consolidated EBITDA(A) for the first quarter of 2019 totalled \$131 million, up \$27 million or 26% from the corresponding quarter of 2018. This increase was driven by favourable differences resulting from contributions from facilities commissioned and acquired since the end of the first quarter of 2018, a \$5 million increase in the share of the Interests and an additional \$5 million contribution stemming from the acquisition of interests in five wind farms in Québec. A \$3 million favourable effect was also recognized upon application of IFRS 16, Leases (for greater detail, see the *Accounting standards* section).

This was partially offset by an unfavourable volume effect equivalent to \$4 million, as explained under revenue from energy sales above, a \$1 million decrease in power premiums and a \$1 million unfavourable foreign exchange effect, reflecting the fluctuation in the euro against the Canadian dollar.

The **wind** power segment accounted for 89% of consolidated EBITDA(A) in the first quarter of 2019 (before the corporate segment and eliminations). Segment EBITDA(A) rose 27%, contributing \$29 million more to consolidated EBITDA(A) than in the first quarter of 2018.

Regarding the other operating segments:

- **Hydroelectric** power segment EBITDA(A) declined 20% to \$8 million, owing in part to the unfavourable difference resulting from the production shutdown at the Buckingham power station throughout the work.
- The **thermal** power stations recorded EBITDA(A) of \$6 million, up 27%.
- **Solar** power segment EBITDA(A) remained stable.

Main differences in net earnings attributable to shareholders of Boralex

(in millions of Canadian dollars) (unaudited)

THREE-MONTH PERIOD ENDED MARCH 31, 2018	
EBITDA(A) ⁽¹⁾	20
Amortization	27
Impairment	(18)
Financing costs	(2)
Income taxes	(5)
Non-controlling shareholders	(1)
Other	4
Change	6
THREE-MONTH PERIOD ENDED MARCH 31, 2019	
	26

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

Amortization

Amortization expense for the first quarter of 2019 was up \$18 million to \$65 million, owing primarily to commissioning and acquisitions in France in 2018 and 2019, and the adoption of IFRS 16, *Leases*, which resulted in a \$4 million increase in amortization expense.

Impairment

On February 14, 2019, the Corporation was notified by BC Hydro of the indefinite suspension of its SOP program for a wind power project in British Columbia. Given that Boralex has lost its reserved capacity and standby line position, a \$2 million adjustment was recognized as impairment of intangible assets.

Financing costs

Financing costs for the first quarter of 2019 rose \$5 million to \$34 million, primarily as a result of the financing implemented and debts assumed by the Corporation as a result of acquisitions and asset commissioning over the past year, and the adoption of IFRS 16, *Leases*, under which lease liabilities were recognized in the balance sheet for all of the Corporation's leases, which gave rise to a \$2 million interest expense.

Income taxes

As a result of earnings before income taxes, the Corporation's income tax expense increased by \$1 million.

Other

The \$4 million change resulted from a \$1 million increase in foreign exchange gain, relating primarily to the fluctuation in the euro against the Canadian dollar, and a \$3 million increase in the net gain on financial instruments. This gain reflected the ineffective portion of certain designated financial instruments.

Net earnings

For the three-month period ended March 31, 2019, Boralex recognized net earnings of \$28 million compared with \$23 million for the same period of 2018, resulting in net earnings attributable to shareholders of Boralex of \$26 million or \$0.29 per share (basic) and \$0.28 per share (diluted), compared with net earnings attributable to shareholders of Boralex of \$20 million or \$0.26 per share (basic and diluted) a year earlier. The \$2 million difference between net earnings and net earnings attributable to shareholders of Boralex as at March 31, 2019 resulted from earnings attributable to non-controlling shareholders.

The increase of \$6 million (\$0.03 per share (basic) and \$0.02 per share (diluted)) in net earnings attributable to shareholders of Boralex compared with the first quarter of 2018 stemmed from the items discussed previously and summarized in the accompanying table. Accordingly, the \$27 million increase in EBITDA(A) was partially offset by increases of \$18 million in amortization expense and \$5 million in financing costs, for a total of \$23 million, owing to expansion in the Corporation's operating base over the past 12 months.

Review of operating segments for the three-month period ended March 31, 2019

Wind

Wind power production up 26% in the first quarter of 2019 compared with the same quarter of 2018.

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

(in millions of Canadian dollars) (unaudited)	Revenues from energy sales	EBITDA(A) ⁽¹⁾
THREE-MONTH PERIOD ENDED MARCH 31, 2018	125	101
Acquisitions/commissioning ⁽²⁾	27	20
Share of the Interests - five wind farms in Québec	—	5
Other share of the Interests	—	5
Volume	(4)	(4)
Foreign exchange effect	(2)	(1)
Leases - IFRS 16	—	2
Other	—	2
Change	21	29
THREE-MONTH PERIOD ENDED MARCH 31, 2019	146	130

⁽¹⁾ See the Non-IFRS measures section.

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

Recent and anticipated statistical data concerning wind power segment production

Wind production (GWh)	Three-month periods ended March 31				
	Actual		Change		
	2019	2018	Anticipated production ⁽¹⁾	vs 2018	vs anticipated production ⁽¹⁾
Canada	396	367	410	+ 8%	- 3%
France	642	457	608	+ 41%	+ 6%
	1,038	824	1,018	+ 26%	+ 2%

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

Production

For the first quarter of 2019, wind power segment production totalled 1,038 GWh, or 26% higher than the 824 GWh for the same quarter last year. The contributions from the wind farms commissioned in France in 2018 (122 MW), the Kallista wind farms (163 MW) acquired on June 20, 2018 and the Basse Thiérache Nord wind farm (20 MW) gradually commissioned starting February 1, 2019 together with positive performance by the Canadian wind farms offset the decline in production at existing wind farms in France due to less favourable weather conditions than in the same quarter of 2018. Note however that the revenues in the first quarter of 2019 exceeded long-term expectations.

Broken down geographically, changes in production were as follows:

- In France, less favourable weather conditions prevailed in the first quarter of 2019 compared with a year earlier. As a result, production volume at existing wind farms was 5% lower than in the same period last year. Including the wind farms commissioned since March 31, 2018 and the acquisition of the Kallista wind farms completed on June 20, 2018, the wind power segment in France recorded a 41% increase in production volume in the first quarter of 2019, compared with the same quarter a year ago, totalling 642 GWh.
- In Canada, wind farms overall recorded a higher production volume in the first quarter of 2019 compared with the same period last year. As a result, Canadian wind power production rose 8% to 396 GWh.

The NRWF facility remains subject to power limitations imposed and compensated by the IESO or Hydro One. In the first quarter of 2019, the unfavourable production effect amounted to 10 GWh, resulting in financial compensation of \$2 million, compared with 42 GWh and \$7 million in the same quarter of 2018.

Revenues from energy sales

For the first quarter of 2019, wind power segment revenues totalled \$146 million, up \$21 million or 17% from the same period of 2018. This growth stemmed from a \$27 million contribution from the wind farms acquired and commissioned in France since March 31, 2018. This improvement was partially offset by an unfavourable volume difference equivalent to \$4 million as the growth in production from Québec wind farms was not sufficient to offset declines at Ontario and French wind farms.

Broken down geographically, and considering that the revenues related to the five wind farms in Québec acquired from Invenergy are not consolidated under IFRS, for the first quarter of 2019, 41% of wind power segment revenues were generated in Canada and 59% in France, compared with 49% and 51%, respectively, for the same period last year. This change resulted mainly from contributions from the wind farms acquired and commissioned in France since March 31, 2018, partially offset by a decrease in production at existing French wind farms. Excluding the foreign exchange effect, revenues from French wind farms were up 34%, compared with a 1% decrease for Canadian wind farms, owing primarily to lower production in Ontario.

EBITDA(A)

For the first quarter of 2019, wind power segment EBITDA(A) rose \$29 million or 27% to \$130 million. This increase was partly driven by Boralex's expansion strategy, as the assets acquired and commissioned since the end of the first quarter of 2018 generated an additional \$20 million in EBITDA(A), while the share of the Interests acquired on September 14, 2018 amounted to \$5 million. Other items that contributed to the increase in EBITDA(A) were a \$5 million increase in the share of existing Interests, a \$2 million favourable impact of the implementation of IFRS 16, Leases, and a \$2 million favourable impact relating to miscellaneous expenses.

This was partially offset by a \$4 million unfavourable volume effect, as explained under revenue from energy sales above, and a \$1 million unfavourable foreign exchange effect, reflecting the fluctuation in the euro against the Canadian dollar.

Broken down geographically, EBITDA(A) from facilities in France was up 39% in euros, taking into account contributions from assets acquired and commissioned, while EBITDA(A) at Canadian facilities rose 21%, owing to the contribution of acquired interests in five Québec wind farms and an increase in the share of existing Interests.

Hydroelectric

Hydroelectric power production down 4% in the first quarter of 2019 compared with a year earlier.

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

(in millions of Canadian dollars) (unaudited)	Revenues from energy sales	EBITDA(A) ⁽¹⁾
THREE-MONTH PERIOD ENDED		
MARCH 31, 2018	14	10
Volume	(1)	(1)
Capacity premiums	(1)	(1)
Change	(2)	(2)
THREE-MONTH PERIOD ENDED		
MARCH 31, 2019	12	8

⁽¹⁾ See the Non-IFRS measures section.

Recent and anticipated statistical data concerning hydroelectric power segment production

	For the three-month periods ended March 31				
	Actual		Change		
Hydroelectric production (GWh)	2019	2018	Anticipated production ⁽¹⁾⁽²⁾	vs. 2018	vs. anticipated production ⁽¹⁾
Canada	25	48	42	- 49%	- 41%
United States	134	118	108	+ 13%	+ 24%
	159	166	150	- 4%	+ 6%

⁽¹⁾ The anticipated production includes 14 GWh of the Yellow Falls power station, Canada.

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

Production

For the first quarter of 2019, hydroelectric power production was down 4% to 159 GWh, from 166 GWh for the same quarter of last year. This decrease resulted mainly from lower production at the Canadian power stations, owing to unfavourable water flow conditions and the Buckingham power station being shut down throughout capacity upgrade work. Increased production at U.S. power stations, which benefited from better conditions than last year, was not enough to offset this difference.

However, hydroelectric power segment production for the first quarter of 2019 was 9 GWh or 6% higher than the anticipated production of 150 GWh.

The Buckingham power station was shut down in September 2018 to carry out expansion work, giving rise to a difference of approximately 21 GWh or \$3 million in revenues and EBITDA(A). The power station is expected to restart in the second half of 2019.

Revenues from energy sales

For the first quarter of 2019, the hydroelectric power segment generated revenues of \$12 million, down \$2 million or 15% from the same quarter of 2018. This decline resulted from net unfavourable variances of \$1 million, given the shutdown of the Buckingham power station, and \$1 million relating to the change in capacity premiums. Revenues at the U.S. power stations were up 16%, while revenues declined 55% at the Canadian power stations.

EBITDA(A)

In light of the above, hydroelectric power segment EBITDA(A) declined 20% to \$8 million for the first quarter of 2019, compared with \$10 million for the same quarter of 2018. This decrease was attributable to the same unfavourable factors that impacted revenues. EBITDA(A) at the U.S. power stations was up 25% while the Canadian power stations saw an 80% decline in EBITDA(A).

Thermal and solar

Management remains satisfied with the performance of its thermal and solar segments. The solar segment's results were relatively stable compared with last year, while the thermal segment outperformed first-quarter 2018 results, considering a mechanical failure unfavorably affected production in 2018.

Cash flows

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

(in millions of Canadian dollars) (unaudited)	Three-month periods ended March 31	
	2019	2018
Cash flows from operations ⁽¹⁾	101	77
Change in non-cash items related to operating activities	(36)	33
Net cash flows related to operating activities	65	110
Net cash flows related to investing activities	(25)	(85)
Net cash flows related to financing activities	(31)	(3)
Translation adjustment on cash and cash equivalents	(4)	5
NET CHANGE IN CASH AND CASH EQUIVALENTS	5	27
CASH AND CASH EQUIVALENTS – END OF PERIOD	162	142

⁽¹⁾ See the Non-IFRS measures section.

Operating activities

For the three-month period ended March 31, 2019, Boralex reported \$101 million in cash flows from operations, up \$24 million or 30% from \$77 million for the same period last year. Excluding non-cash items in net earnings for both periods, this increase resulted largely from the \$16 million growth in EBITDA(A) as discussed previously, plus a \$5 million increase in distributions received from the *Interests of the Joint Ventures and associates* and a \$1 million decline in interest paid.

The change in non-cash items related to operating activities resulted in cash outflows of \$36 million for the first quarter of 2019 compared with cash inflows of \$33 million for the corresponding period of 2018. Cash used in the first quarter of 2019 resulted primarily from a \$31 million increase in *Trade and other payables* related to favourable wind conditions and also to the fact that the main client in France made its payments at the beginning of April 2019 instead of at the end of March owing to administrative delays.

Operating activities generated net cash flows totalling \$65 million in the first quarter of 2019, compared with \$110 million for the same period a year earlier.

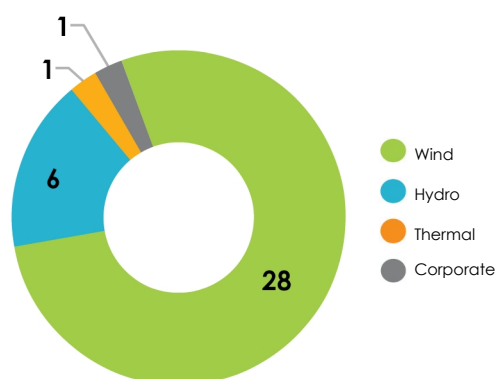
Investing activities

Investing activities used cash in the amount of \$25 million in the first quarter of 2019 compared with \$85 million for the same period a year earlier.

During the first quarter of 2019, Boralex used \$36 million in cash for additions to property, plant and equipment, including:

- \$28 million in the wind power segment, substantially all of which was for the construction of various wind farms under development in Europe;
- \$6 million in the hydroelectric power segment, including \$1 million to complete construction of the Yellow Falls power station in Ontario, Canada and \$5 million to upgrade capacity at the Buckingham power station in Québec, Canada from 10 MW to 20 MW.

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



The change in restricted cash, for a total of \$21 million during the first quarter of 2019, resulted primarily from payments made for French wind farms under construction.

In addition, reserve funds rose \$9 million for the Inter Deux Bos, Côteaux du Blaiseron, Hauts de Comble, Sources de l'Ancre, Le Pelon, Basse Thiérache Nord, Catésis, Seuil du Cambrésis and Cham Longe wind farms.

Note that during the first quarter of 2018, the Corporation paid \$10 million in contingent consideration for the acquisition of energy contracts related to Ecotera projects. The amounts paid related mainly to the Inter Deux Bos and Basse Thiérache Nord wind farms. In addition, the Corporation recognized \$4 million in contingent consideration for the Sources de l'Ancre project, recognized as a business acquisition; this project was included in a business combination at the time of the Ecotera portfolio acquisition in 2015.

Financing activities

In the first quarter of 2019, financing activities used total net cash flows of \$31 million.

New financing arrangements and repayments on existing debt

For the first quarter of 2019, new non-current debt contracted by Boralex totalled \$63 million, including:

- \$34 million drawn down from the revolving credit facility;
- \$28 million with regard to the Sainte-Christine portfolio which includes Inter Deux Bos, Côteaux du Blaiseron, Hauts de Comble, Sources de l'Ancre, Le Pelon and Basse Thiérache Nord wind farms as well as Catésis, Seuil du Cambrésis and Cham Longe I wind projects;
- \$1 million for the Moose Lake wind farm.

Conversely, the Corporation made debt repayments totalling \$58 million relating to various assets in operation and \$6 million in value added tax bridge financing, in addition to special repayments totalling \$55 million, \$43 million of which to repay the Lanouée forest bridge financing and \$6 million to repay in part the Scotland bridge financing. This payment was made out of the \$43 million (€29 million) in proceeds from the 2018 sale of Lanouée forest.

With the application of IFRS 16, Leases, the Corporation now presents repayments of lease liabilities under financing activities. This amount is \$3 million for the first quarter of 2019.

Dividends and other items

On February 8, 2019, the Board of Directors declared a quarterly dividend of \$0.1650 per common share. During the first quarter of 2019, the Corporation paid dividends to shareholders totalling \$15 million (\$0.1650 per share) compared with \$11 million (\$0.1500 per share) for the first quarter of 2018.

During the first quarter of 2018, the Corporation also disbursed \$10 million for the early redemption of financial instruments, mainly following the financing of a project.

Net change in cash and cash equivalents

Total cash movements for the first quarter of 2019 resulted in a \$5 million increase, with *Cash and cash equivalents* as at March 31, 2019 standing at \$162 million compared with \$142 million as at March 31, 2018.

Financial position

Overview of the condensed consolidated statements of financial position

(in millions of Canadian dollars) (unaudited)		As at March 31, 2019	As at December 31, 2018
ASSETS			
Cash and cash equivalents		162	157
Restricted cash		29	96
Other current assets		202	169
CURRENT ASSETS		393	422
Property, plant and equipment		2,813	2,941
Right-of-use assets		255	—
Intangible assets		726	760
Goodwill		196	201
Interests in the Joint Ventures and associates		265	270
Other non-current assets		141	152
NON-CURRENT ASSETS		4,396	4,324
TOTAL ASSETS		4,789	4,746
LIABILITIES			
CURRENT LIABILITIES		532	564
Non-current debt		2,779	2,857
Lease liabilities		194	—
Convertible debentures		140	140
Other non-current liabilities		290	284
NON-CURRENT LIABILITIES		3,403	3,281
TOTAL LIABILITIES		3,935	3,845
EQUITY			
TOTAL EQUITY		854	901
TOTAL LIABILITIES AND EQUITY		4,789	4,746

Summary of significant changes

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

Assets

As at March 31, 2019, Boralex's total assets amounted to \$4,789 million, up \$43 million from total assets of \$4,746 million as at December 31, 2018. This increase was due to the \$72 million increase in *Non-current assets*, partly offset by the \$29 million decrease in *Current assets*.

The decrease in *Current assets* is primarily attributable to the changes in *Restricted cash*, which declined \$67 million, partly offset by the \$5 million increase in *Cash and cash equivalents* and the \$33 million increase in *Other current assets*, including a \$30 million increase in *Trade and other receivables*. Note that *Restricted cash* as at December 31, 2018 included proceeds from the sale of the Lanouée forest land, which was used to repay the related bridge financing at the beginning of January 2019.

Non-current assets were up \$72 million in total, owing primarily to:

- A \$128 million decrease in the value of *Property, plant and equipment* (net of amortization for the period) which breaks down as follows:
 - A \$31 million increase related to the wind farms under construction (see the *Cash flows* section);
 - A \$106 million decrease related to exchange rate fluctuations and amortization of wind farms in operation;
 - A \$53 million decrease related to the reclassification of restoration costs to rights-of-use assets;
- A \$34 million decrease in the value of *Intangible assets*, related in large part to the foreign exchange effect and amortization of wind farms in operation;
- The addition of the *Right-of-use assets* line item in the amount of \$255 million owing to the application of IFRS 16, *Leases* (see the *Accounting standards* section for more details);
- A \$5 million decrease in *Goodwill* related to exchange rate fluctuations;

- An \$11 million decline in *Non-current assets*, including, \$17 million in *Other non-current financial assets*, partly offset by an \$8 million increase in reserve funds (see the *Cash flows* section).

Current liabilities

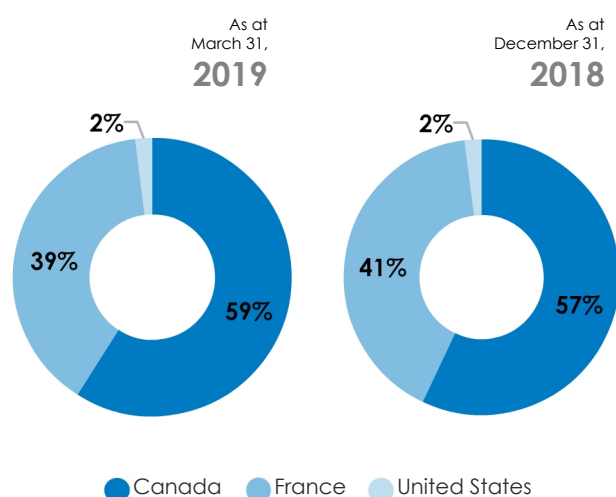
Current liabilities as at March 31, 2019 amounted to \$532 million, compared with \$564 million as at December 31, 2018. This \$32 million decline resulted from the repayment of \$49 million on the France and Scotland bridge financing, \$43 million (€29 million) of which in relation to the sale of the Lanouée forest and \$6 million in connection with the sale of assets in Scotland, plus a \$5 million foreign exchange impact. This decrease was partially offset by the classification of \$21 million as current liabilities for the repayment of the value added tax bridge financing facility in France for various sites under construction or recently commissioned facilities.

Non-current liabilities

Total *Non-current liabilities* were up \$122 million upon the addition of the *Lease liabilities* line item in the amount of \$194 million resulting from the coming into force of IFRS 16, *Leases* (for greater detail, see the *Accounting standards* section). This increase was partially offset by repayments on *Non-current debt* of \$58 million, the classification of \$10 million as current liabilities for the Les Cigarettes solar power facility which did not meet its debt coverage ratio.

As at March 31, 2019, Boralex had \$133 million in debt contracted for its construction projects that remains undrawn. Boralex can still draw on the \$100 million revolving credit accordion feature, and a total amount of \$60 million available under the letter of credit and revolving credit facilities subject to compliance with financial ratios.

Geographic breakdown of non-current debt



Equity

During the first three months of 2019, total *Equity* decreased by \$47 million to \$854 million as at March 31, 2019. This decline resulted primarily from the inclusion of net income of \$28 million, offset by the \$44 million change in *Accumulated other comprehensive income* related to the translation of financial statements and lower interest rates, \$15 million in dividends paid to shareholders of Boralex and an amount of \$13 million resulting from the coming into force of IFRS 16, *Leases*.

Debt ratios

Net debt, as defined under the *Non-IFRS measures* section, amounted to \$2,997 million as at March 31, 2019 compared with \$3,048 million as at December 31, 2018.

As a result, the net debt ratio, based on market capitalization, as defined under the *Non-IFRS measures* section, decreased to 62% as at March 31, 2019 from 65% as at December 31, 2018.

Information about the Corporation's equity

As at March 31, 2019, Boralex's capital stock consisted of 89,188,181 Class A shares issued and outstanding (89,184,175 as at 31 December 2018). There were 601,059 outstanding stock options, of which 476,332 were exercisable. Boralex had 1,437,070 issued and outstanding convertible debentures for an amount of \$144 million (1,437,070 as at December 31, 2018 for an amount of \$144 million).

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

Transactions with related parties

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

The Corporation has an office lease contract with Ivanhoé Cambridge, an entity in which the Caisse holds an interest as well. For the three-month period ended March 31, 2019, the amount of the lease expense was not material.

On March 29, 2018, the Corporation entered into \$170 million in financing with the Caisse in the form of unsecured subordinated debt with a 10-year maturity. On July 24, 2018, Boralex drew down its \$80 million second tranche. For the three-month period ended March 31, 2019, the interest related to these transactions amounted to \$4 million.

The Six Nations' equity interest in FWRN LP was financed through a non-recourse loan initially provided by Enercon and which will be repaid, with interest, through Six Nations' share of the payouts that FWRN LP will make during the term of the feed-in tariff contract. For the three-month period ended March 31, 2019, the interest related to this advance was not material.

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

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

Earnings of the Joint Ventures and associates for the three-month period ended March 31, 2019

SDB I and II for the three-month period ended March 31, 2019

Production up 29% for the first quarter of 2019 from the same quarter of 2018.

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

(in millions of Canadian dollars) (unaudited)	Revenues from energy sales	EBITDA(A) ⁽¹⁾
THREE-MONTH PERIOD ENDED MARCH 31, 2018	16	14
Volume	5	5
Maintenance	—	(1)
Other	—	1
Change	5	5
THREE-MONTH PERIOD ENDED MARCH 31, 2019	21	19

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

Recent and anticipated statistical data concerning production

Wind production (GWh)	Three-month periods ended March 31				
	Actual		Change		
	2019	2018	Anticipated production ⁽¹⁾	vs 2018	vs anticipated production ⁽¹⁾
SDB I	152	116	115	+ 30%	+ 33%
SDB II	39	32	29	+ 22%	+ 33%
	191	148	144	+ 29%	+ 33%

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

Production

Boralex's share of production of SDB I and II wind farms for the first quarter of 2019 amounted to 191 GWh, up 43 GWh or 29% from the corresponding quarter last year due to more favourable weather conditions. Note that icing conditions had an adverse impact on production during a two-week period in March 2018.

Revenues from energy sales

The higher production volume resulted in a \$5 million increase in revenues from energy sales attributed to Boralex. For the first quarter of 2019, the Corporation's share amounted to \$21 million compared with \$16 million for the corresponding quarter of 2018.

EBITDA(A)

The contribution of the Interests in SDB I and II to EBITDA(A) amounted to \$19 million for the first quarter of 2019 compared with \$14 million for the corresponding quarter of 2018. This increase is attributable to the higher production volume, the adjustment to Hydro-Québec's invoice, the impact of applying IFRS 16, *Leases*, and the increase in prices, partly offset by an unfavourable difference of \$1 million resulting from higher maintenance costs.

Cash flows

For the three-month period ended March 31, 2019, the contribution of the Interests in SDB I and II to Boralex's cash flows from operations amounted to \$15 million, compared with \$11 million for the same period of 2018.

The contribution of the Interest in SDB I and II to net cash flows related to operating activities amounted to \$5 million for the first three months of 2019, compared with \$8 million one year earlier.

Financial position

As at March 31, 2019, Boralex's share in the assets of the SDB I and II wind farms amounted to \$378 million, up \$11 million compared with the amount recognized as at December 31, 2018. This increase was largely attributable to the addition of the *Right-of-use assets* line item resulting from the application of IFRS 16, *Leases* (for greater detail, see the *Accounting standards* section).

Boralex's share of the debt for these wind farms amounted to \$298 million as at March 31, 2019, the same amount as at December 31, 2018.

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

Review of DM I and DM II, LP 1, LP 2 and Roncevaux for the three-month period ended March 31, 2019

Recent and anticipated statistical data concerning production

	Three-month periods ended March 31		
	Actual		Change
Wind production (GWh)	2019	Anticipated production ⁽¹⁾	vs. anticipated production ⁽¹⁾
DM I et DM II	83	63	+ 32%
LP I	69	50	+ 39%
LP II	12	10	+ 17%
Roncevaux	40	33	+ 21%
	204	156	+ 31%

⁽¹⁾ See Notice concerning forward-looking statements and Abbreviations and definitions section.

Revenues from energy sales and EBITDA(A)

	Three-month period ended March 31
(in millions of Canadian dollars) (unaudited)	2019
Revenues from energy sales	21
EBITDA(A) ⁽¹⁾	18

⁽¹⁾ See the Non-IFRS measures section.

During the first quarter of 2019, the share of production of five wind farms in which Boralex had acquired interests from Invenergy in September 2018, amounted to 204 GWh, given the Corporation's percentage holding in each of these wind farms.

Accordingly, Boralex's share of revenues from energy sales amounted to \$21 million for the first quarter of 2019.

The contribution of the Interests in the five wind farms to EBITDA(A) amounted to \$18 million for the first quarter of 2019.

Cash flows

For the three-month period ended March 31, 2019, the contribution of the Interests in the five wind farms to Boralex's cash flows from operations amounted to \$14 million.

The contribution of DM I and II, LP I and II and Roncevaux to net cash flows related to operating activities amounted to \$11 million for the first three months of 2019.

Financial position

As at March 31, 2019, Boralex's share in the assets of DM I and II, LP I and II and Roncevaux amounted to \$519 million, up \$15 million compared with the amount recognized as at December 31, 2018. This increase was largely attributable to the addition of the *Right-of-use assets* line item resulting from the application of IFRS 16, *Leases* (for greater detail, see the *Accounting standards* section).

Boralex's share of the debt for these wind farms amounted to \$285 million as at March 31, 2019, down \$1 million compared with the amount as at December 31, 2018.

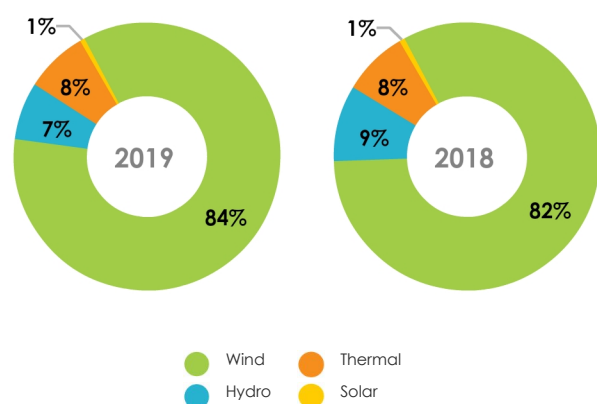
For more information, see section II - Analysis of results and financial position - Non-IFRS measures.

Segment and geographic breakdown of results for the three-month periods ended March 31, 2019 and 2018

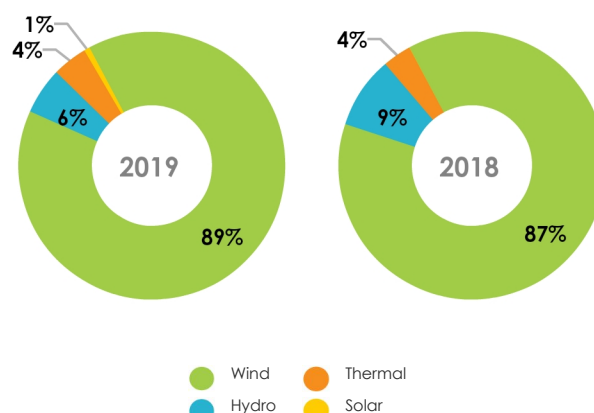
Segment breakdown

The following is a discussion of changes in segment breakdown of revenues and EBITDA(A) for the quarter ended March 31, 2019 compared with the same period in 2018.

Breakdown of revenues from energy sales



Breakdown of EBITDA(A)⁽¹⁾



⁽¹⁾ Excluding corporate segment and eliminations

Wind

For the first three months of 2019, wind power segment revenues rose 17% from the same period of 2018 and represented 84% of consolidated revenues, compared with 82% for the first quarter last year. This growth was driven essentially by the commissioning of six wind farms in France in 2018 for an addition of 122 MW, the acquisition of the Kallista (163 MW) wind farms on June 20, 2018 as well as the gradual commissioning of Basse Thiérache Nord (20 MW) starting February 1, 2019.

Wind power segment EBITDA(A) for the first three months of 2019 rose 27% compared with the corresponding period of 2018, representing 89% of consolidated EBITDA(A) (before the corporate segment and eliminations), exceeding the result of 87% for the first three months of 2018. Not only is the wind power segment Boralex's most significant driver of EBITDA(A), but its EBITDA(A) margin is also higher than the average for Boralex's energy asset portfolio, i.e., 89% for the first three months of 2019, compared with 82% for the corresponding period of 2018.

Given the anticipated commissioning of facilities by 2020 for 82 MW in additional capacity, as well as the large pipeline of potential projects Boralex has access to, this segment's contribution to the Corporation's operating profitability will increase over the coming quarters and years, helping to maintain a solid average profit margin.

Hydroelectric

For the first three months of 2019, hydroelectric power segment revenues and EBITDA(A) declined 15% and 20%, respectively, compared with the corresponding period of 2018, stemming mainly from less favourable water flow conditions at the Canadian power stations and the production shutdown at the Buckingham power station for the duration of work to upgrade installed capacity. Given the growth in the wind power segment, the hydroelectric power segment's contribution to the Corporation's consolidated revenues eased to 7% for the first three months of 2019 from 9% for the corresponding period of 2018, while its contribution to EBITDA(A) (before the corporate segment and eliminations) declined to 6% from 9%. EBITDA(A) margin as a percentage of segment revenues decreased to 67% for the first three months of 2019 from 71% for the corresponding period of 2018.

Thermal

Thermal power segment revenues were up 8% for the first three months of 2019 compared with last year, owing mainly to higher production volume at the Senneterre power station. This segment accounted for 8% of consolidated revenues for the first three months of 2019, the same percentage as in the previous year. The thermal segment's contribution to consolidated EBITDA(A) (before the corporate segment and eliminations) also held steady at 4%. EBITDA(A) margin for this segment rose to 43% for the first three months of 2019 from 37% for the corresponding period of 2018.

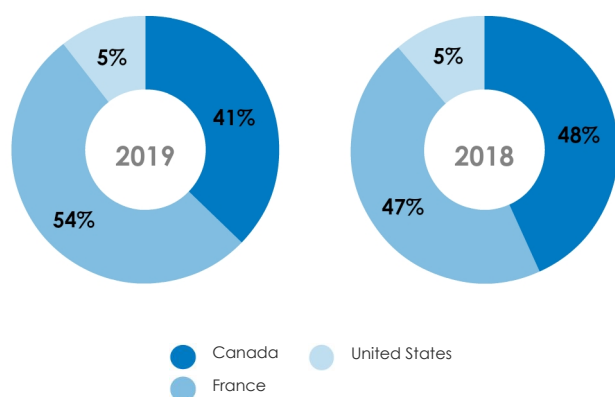
Solar

For the first three months of 2019, the solar power segment generated EBITDA(A) of \$1 million, comparable to the corresponding period last year. The solar power segment for the time being accounts for only a marginal share of Boralex's asset portfolio.

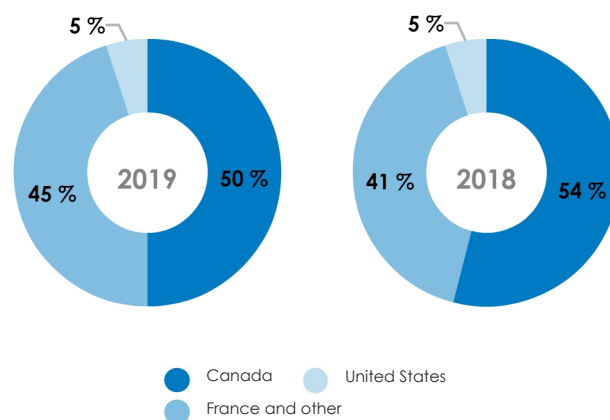
Geographic breakdown

The following is a discussion of changes in geographic breakdown of revenues and EBITDA(A) for the quarter ended March 31, 2019 compared with the same period in 2018.

Breakdown of revenues from energy sales



Breakdown of EBITDA(A)⁽¹⁾



⁽¹⁾ Excluding corporate segment and eliminations

For the three-month period ended March 31, 2019, the geographic breakdown of Boralex's revenues from energy sales was as follows:

- 41% in **Canada** compared with 48% in 2018;
- 54% in **France** compared with 47% in 2018, following the commissioning of wind farms in France since the end of the first quarter of 2018 and the acquisition of Kallista on June 20, 2018;
- 5% in the **United States** compared with 5% in 2018.

Note that the Interests in the Joint Ventures and associates are not included in the information above. According to Boralex's percentage holdings, the geographic breakdown of EBITDA(A) would be 58% in Canada, 37% in France and 5% in the United States.

Non-IFRS measures

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

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

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

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

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

Reconciliation between IFRS and Combined information

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

Consolidated

	2019			
(in millions of Canadian dollars) (unaudited)	IFRS	Interests	Eliminations	Combined
For the three-month period ended March 31:				
Power production (GWh)	1,274	395	—	1,669
Revenues from energy sales	172	42	—	214
EBITDA(A)	131	37	(14)*	154
Net earnings	28	15	(15)*	28
Net cash flows related to operating activities	65	16	(9)	72
Cash flows from operations	101	29	(9)**	121
As at March 31:				
Total assets	4,789	897	(207)***	5,479
Debt, including non-current debt and current portion of debt	3,159	583	—	3,742

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

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

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

2018

(in millions of Canadian dollars) (unaudited)

	IFRS	SDB I and II (50%)	Eliminations	Combined
For the three-month period ended March 31:				
Power production (GWh)	1,055	148	—	1,203
Revenues from energy sales	152	16	—	168
EBITDA(A)	104	14	(4)*	114
Net earnings	23	4	(4)*	23
Net cash flows related to operating activities	110	8	(4)	114
Cash flows from operations	77	11	(4)**	84
As at December 31:				
Total assets	4,746	871	(213)***	5,404
Debt, including non-current debt and current portion of debt	3,271	584	—	3,855

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

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

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

Wind

2019

(in millions of Canadian dollars) (unaudited)

	IFRS	Interests	Eliminations	Combined
For the three-month period ended March 31:				
Power production (GWh)	1,038	395	—	1,433
Revenues from energy sales	146	42	—	188
EBITDA(A)	130	37	(15)*	152

2018

(in millions of Canadian dollars) (unaudited)

	IFRS	SDB I and II (50%)	Eliminations	Combined
For the three-month period ended March 31:				
Power production (GWh)	824	148	—	972
Revenues from energy sales	125	16	—	141
EBITDA(A)	101	14	(3)*	112

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

EBITDA(A)

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

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

2019

(in millions of Canadian dollars) (unaudited)	IFRS	Interests	Eliminations	Combined
For the three-month period ended March 31:				
Net earnings	28	15	(15)	28
Income tax expense	7	—	—	7
Financing costs	34	9	1	44
Amortization	65	14	—	79
Impairment of intangible assets	2	—	—	2
EBITDA	136	38	(14)	160
Adjustments:				
Other gains	—	(1)	—	(1)
Other	(5)	—	—	(5)
EBITDA(A)	131	37	(14)	154

2018

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

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:

(in millions of Canadian dollars) (unaudited)	IFRS	Interests	Eliminations	Combined
For the three-month period ended March 31:				
Net cash flows related to operating activities	65	16	(9)*	72
Change in non-cash items related to operating activities	36	13	—	49
CASH FLOWS FROM OPERATIONS	101	29	(9)	121

* Distributions received from the Joint Ventures and an associate.

2018

(in millions of Canadian dollars) (unaudited)

	IFRS	SDB I and II (50%)	Eliminations	Combined
For the three-month period ended March 31:				
Net cash flows related to operating activities	110	8	(4)	114
Change in non-cash items related to operating activities	(33)	3	—	(30)
CASH FLOWS FROM OPERATIONS	77	11	(4)*	84

* Distributions received from the Joint Ventures and an associate.

Net debt ratio

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

The Corporation defines net debt as follows:

	IFRS	
	As at March 31, 2019	As at December 31, 2018
(in millions of Canadian dollars) (unaudited)		
Non-current debt	2,779	2,857
Current portion of debt	380	414
Borrowing costs, net of accumulated amortization	29	30
Less:		
Cash and cash equivalents	162	157
Restricted cash	29	96
Net debt	2,997	3,048
Net debt, excluding non-current debt drawn down under financing for projects under construction	2,627	2,707

The Corporation defines total market capitalization as follows:

	IFRS	
	As at March 31, 2019	As at December 31, 2018
(in millions of Canadian dollars, unless otherwise specified) (unaudited)		
Number of outstanding shares (in thousands)	89,188	89,184
Share market price (in \$ per share)	18.96	16.84
Market value of equity attributable to shareholders	1,691	1,502
Non-controlling shareholders	27	31
Net debt	2,997	3,048
Convertible debentures, nominal value	144	144
Total market capitalization	4,859	4,725

The Corporation computes the net debt ratio as follows:

	IFRS	
	As at March 31, 2019	As at December 31, 2018
(in millions of Canadian dollars unless otherwise specified) (unaudited)		
Net debt	2,997	3,048
Total market capitalization	4,859	4,725
NET DEBT RATIO (market capitalization)	62%	65%
NET DEBT RATIO (market capitalization), excluding non-current debt drawn for projects under construction	54%	57%

Discretionary cash flows and payout ratio

Discretionary cash flows

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

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

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

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

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

Payout ratio

The payout ratio is defined as dividends paid to shareholders of Boralex divided by discretionary cash flows, all of which is calculated based on the previous 12 months of operations. Boralex believes it is a measure of its ability to sustain current dividends as well as its ability to fund its future development. For an accurate representation of current operations, this calculation is adjusted to exclude non-recurring items listed in the notes to the table below.

In the medium-term, Boralex expects to pay common share dividends on an annual basis representing a ratio of approximately 40% to 60% of its discretionary cash flows. For the twelve-month period ended March 31, 2019, the dividends paid to shareholders by the Corporation corresponded to 75% of discretionary cash flows.

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

	IFRS	
	Twelve-month periods ended	
	As at March 31, 2019⁽¹⁾	As at December 31, 2018
(in millions of Canadian dollars, unless otherwise specified) (unaudited)		
Cash flows from operations	216	192
Adjustment for non-recurring items ⁽²⁾	6	6
Principal payments related to lease liabilities	(3)	—
Distributions paid to non-controlling shareholders	(7)	(7)
Additions to property, plant and equipment (maintenance of operations)	(8)	(8)
Repayments on non-current debt (projects) ⁽³⁾	(158)	(150)
Development costs (from statement of earnings)	26	26
Discretionary cash flows	72	59
Discretionary cash flows - per share	\$0.87	\$0.74
Dividends paid to shareholders of Boralex	\$53	\$50
Weighted average number of outstanding shares – basic (in thousands)	83,290	80,102
Dividends per share paid to shareholders of Boralex – per share	\$0.65	\$0.63
Payout ratio	75%	85%

⁽¹⁾ The amounts for the first quarter were treated under IFRS 16, Leases, while the amounts for the quarters in 2018 were treated under the previous standard, IAS 17, Leases.

⁽²⁾ Excluding primarily the acquisition costs incurred for Kallista.

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

Financial instruments

Foreign exchange risk

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

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

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

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

Price risk

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

As at March 31, 2019, power stations in France (except Avignonet I and Chépy) and Canada (except Oldman in Alberta), as well as those in Hudson Falls and South Glens Falls in the United States, have long-term energy sales contracts, the vast majority of which are subject to partial or full indexation clauses tied to inflation. Consequently, only 2% of Boralex's installed capacity is exposed to price risk at present.

Interest rate risk

Under IFRS, as at March 31, 2019, approximately 54% of non-current debt issued bears interest at variable rates, excluding the revolving credit facility and the bridge financing facility. To protect itself against rate increases, the Corporation uses interest rate swaps. With these instruments, the Corporation's actual exposure to interest rate fluctuations is limited to only 6% of total debt under IFRS.

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

As at March 31,

2019

(in millions of Canadian dollars) (unaudited)	Currency	Current notional		Fair value	
		(currency of origin)	(CAD)	(currency of origin)	(CAD)
Interest rate swaps	EUR	368	551	(25)	(38)
Interest rate swaps	CAD	773	773	7	7
Foreign exchange forward contracts	EUR vs. CAD	65	101	(3)	(3)
Cross-currency swaps	EUR vs. CAD	165	251	4	4
Cross-currency swaps	USD vs. CAD	231	310	(1)	(1)
					(31)

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

Commitments and contingencies

France – Seuil du Cambrésis wind power project

In 2019, the Corporation entered into a construction contract for the **Seuil du Cambrésis** wind project. As at March 31, 2019, the Corporation net commitment related to this contract amounted to \$2 million (€1 million).

France – Cham Longe wind farm

In 2019, the Corporation entered into connection agreements as part of the repowering of the **Cham Longe** wind farm. As at March 31, 2019, the Corporation commitment under these agreements amounted to \$4 million (€3 million).

France – Contingency

On March 5, 2019, the Administrative Court of Appeal of Nantes rendered decisions favourable to Boralex regarding the 51 MW **Moulins du Lohan** project. On July 7, 2017, the Administrative Tribunal of Rennes had cancelled the construction permits for the project. Work was then suspended while Boralex appealed the decision. The Société pour la protection des paysages et de l'esthétique de la France ("SPPEF") has indicated by way of a press release issued on May 7, 2019, that it intended to challenge the decision of the Administrative Court of Appeal and would file an appeal in cassation to the Council of State.

Canada – Contingency

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

On March 2, 2018, the Superior Court of Québec dismissed the plaintiffs' lawsuit and affirmed that the business combination is, in fact, legal. The plaintiffs appealed the judgment. On January 21, 2019, the Québec Court of Appeal dismissed the appeal, reiterating that the business combination was legal. O'Leary Funds Management LP *et al.* has 60 days from the judgment date to file a motion for leave to appeal to the Supreme Court of Canada. On March 21, 2019, O'Leary Funds Management LP *et al.* filed a motion for leave to appeal to the Supreme Court of Canada.

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

Subsequent events

France – Santerre wind power project

On April 10, 2019, the Corporation entered into a contract to purchase turbines for the **Santerre** wind project. The Corporation's net commitment under this contract amounted to \$18 million (€12 million).

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

A class action was brought by the plaintiffs due to the alleged inconvenience (in particular noise, dust and vibrations) caused by the construction of the **Seigneurie de Beaupré** Wind Farms. The defendants (Seigneurie de Beaupré Wind Farms 2 and 3 GP, Seigneurie de Beaupré Wind Farm 4 GP and Éoliennes Côte-de-Beaupré S.E.C.) have always been and are still of the opinion, as supported by expert opinions, that the members of the group have not suffered any abnormal inconvenience resulting from the construction work. The matter is scheduled to be heard before the Superior Court of Québec in April 2019. However, an agreement in principle was reached between the parties at a settlement meeting in fall 2018 without any admission of liability. The hearing to approve the transaction took place on April 11, 2019 and the judge has taken the matter under advisement. The judgment is expected to be rendered in a timely manner. The insurers will cover the costs related to this transaction if approved.

Cube term loan

On April 25, 2019, Boralex Europe Sàrl closed the refinancing of a debt totalling \$60 million (€40 million) owed to Cube Hydro-Power SÀRL with the Caisse, shareholder of the Corporation. The credit agreement stipulates a maturity date in five years with repayment of the full amount of the loan on the maturity date. The loan will bear interest at a variable rate up to the date of conversion, which is for a maximum period of 12 months. Subsequently, the rate will be fixed.

Local and regional content

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

In accordance with customary practices, in circumstances where the compliance or non-compliance with local content requirements under an energy sales contract depends primarily on the wind turbine manufacturer's compliance with these same requirements, in each of the Corporation's wind turbine purchase contracts with Enercon Canada Inc. ("Enercon Canada") for the Corporation's Québec wind farms, Enercon Canada has undertaken to the Corporation's relevant project entities to comply with the regional content requirements and pay the associated penalties. Enercon Canada's obligations under the wind turbine purchase contracts are guaranteed by its parent company, Enercon GmbH.

An audit was initiated by Hydro-Québec Distribution to confirm compliance with local content requirements. Following this audit, there was 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, on April 18, 2019, Hydro-Québec filed an originating application with the Superior Court of Québec against Le Plateau Wind Power L.P. (a partnership operating **Le Plateau I** wind farm in which the Corporation holds approximately 51% of the outstanding units), Enercon Canada and Enercon GmbH to determine the applicable calculation methodology and to obtain documents in the possession of Enercon Canada and Enercon GmbH. The application also seeks to order the defendants, *in solidum*, to pay penalties in an amount based on the calculation methodology to be determined by the Superior Court of Québec. The extent of a potential claim cannot be currently assessed with any reasonable certainty.

Le Plateau Wind Power L.P. has advised Enercon Canada and Enercon GmbH that it will exercise its rights under the turbine purchase agreement to enforce in this proceeding the guarantee provided by Enercon Canada and Enercon GmbH and require Enercon Canada and Enercon GmbH to pay the applicable penalties. In the event of non-payment, Hydro-Québec Distribution may exercise its right to offset any penalty against the amounts payable to Le Plateau Wind Power L.P. for the energy delivered by the wind farm in question, which would affect the revenues received by those wind farms until Enercon Canada and Enercon GmbH have paid the penalties in full and could adversely affect the Corporation's financial position or operating results.

Risk Factors and Uncertainties

Risk factors

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

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

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

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

Accounting policies

Changes to accounting policies

IFRS 16, Leases

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

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

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

Policy applicable from January 1, 2019:

At inception of a contract, the Corporation assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Corporation has chosen to account for each lease component and any non-lease components as a single lease component when disaggregated information is not readily available.

The Corporation recognizes a right-of-use asset and a lease liability at the commencement date, which is the date the leased asset is available for use. Each lease payment is allocated between lease liabilities and financing costs. Financing costs are charged to the statement of earnings over the lease period so as to produce a constant periodic rate of interest on the remaining balance of lease liabilities for each period.

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

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

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined at 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 payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or rate, initially measured using the index or the effective rate at the commencement date;
- Amounts expected to be payable by the Corporation under residual value guarantees;
- The exercise price of a purchase option if the Corporation is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of that option by the Corporation.

Remeasurement

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

Exceptions to the application of IFRS 16

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

Estimation uncertainty arising from variable lease payments

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

Policy applicable before January 1, 2019:

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

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

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

Impact of transition to IFRS 16

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

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

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

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

(in millions of Canadian dollars) (unaudited)	Figures at December 31, 2018	Impact of the transition to IFRS 16	After the transition on January 1, 2019
ASSETS			
Cash and cash equivalents	157	—	157
Restricted cash	96	—	96
Trade and other receivables	142	—	142
Other current assets	27	(2)	25
CURRENT ASSETS	422	(2)	420
Property, plant and equipment	2,941	(52)	2,889
Right-of-use assets	—	242	242
Intangible assets	760	—	760
Goodwill	201	—	201
Interests in the Joint Ventures and associates	270	(4)	266
Other non-current financial assets	137	—	137
Other non-current assets	15	—	15
NON-CURRENT ASSETS	4,324	186	4,510
TOTAL ASSETS	4,746	184	4,930
LIABILITIES			
Trade and other payables	142	—	142
Current portion of debt	414	—	414
Current portion of lease liabilities	—	10	10
Other current financial liabilities	8	—	8
CURRENT LIABILITIES	564	10	574
Non-current debt	2,857	(1)	2,856
Lease liabilities	—	197	197
Convertible debentures	140	—	140
Deferred income tax liability	146	(3)	143
Decommissioning liability	69	—	69
Other non-current financial liabilities	45	—	45
Other non-current liabilities	24	(6)	18
NON-CURRENT LIABILITIES	3,281	187	3,468
TOTAL LIABILITIES	3,845	197	4,042
EQUITY			
Equity attributable to shareholders	870	(9)	861
Non-controlling shareholders	31	(4)	27
TOTAL EQUITY	901	(13)	888
TOTAL LIABILITIES AND EQUITY	4,746	184	4,930

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

In applying IFRS 16 for the first time, the Corporation has used the following practical expedients permitted by the standard:

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

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

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

Uncertainty over income tax treatments

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

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

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

Internal controls and procedures

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

Effective January 1, 2019, the Corporation adopted IFRS 16, *Leases*, which significantly changed the way leases are recognized, measured, presented and disclosed. As a result, significant changes in relevant business processes and control activities, including information systems, have occurred to monitor, maintain and disclose appropriate financial information. During the three-month period from January 1, 2019 to March 31, 2019, no other changes were made to ICFR that have materially affected, or are reasonably likely to materially affect, the Corporation's ICFR.

Limitation on scope of design of DC&P and ICFR

The limitation on the scope and design of the Corporation's DC&P and ICFR as at March 31, 2019, did not cover the controls and procedures of the activities of Kallista, acquired on June 20, 2018, and which are included in the consolidated financial statements of March 31, 2019. The Corporation has elected to apply section 3.3(1)(b) of Regulation 52-109, which allows this acquisition to be excluded from the evaluation of the design of DC&P and ICFR for a maximum of 365 days from the acquisition date. The limitation on the scope is based primarily on the time required to assess DC&P and ICFR with respect to information relating to Kallista.

Since January 1, 2019, Kallista has contributed revenues from energy sales of \$16 million (€10 million) and generated a net loss of less than \$1 million. In addition, current assets and current liabilities represented respectively 7% and 6% (6% and 4% as at December 31, 2018) of consolidated current assets and liabilities. Non-current assets and non-current liabilities represented respectively 8% and 7% of consolidated non-current assets and liabilities (9% and 8% as at December 31, 2018).