

Consolidated Financial Statements

Management's Report

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

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

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

(s) Patrick Lemaire

Patrick Lemaire

President and Chief Executive Officer

(s) Jean-François Thibodeau

Jean-François Thibodeau

Vice-President and Chief Financial Officer

Montréal, Canada

March 2, 2017

Independent Auditor's Report

To the Shareholders of Boralex Inc.

We have audited the accompanying consolidated financial statements of Boralex Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2016 and 2015 and the consolidated statements of loss, comprehensive income (loss), changes in equity and cash flows for the years then ended and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Boralex Inc. and its subsidiaries as at December 31, 2016 and 2015, and their financial performance and their cash flows for the years then ended in accordance with IFRS.

(s) PricewaterhouseCoopers LLP¹

Montréal, Québec

March 2, 2017

¹ CPA auditor, CA, public accountancy permit No. A126402

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Consolidated Statements of Financial Position

(in millions of Canadian dollars)	Note	As at December 31, 2016	As at December 31, 2015
ASSETS			
Cash and cash equivalents		100	100
Restricted cash	29	193	3
Trade and other receivables	6	81	85
Other current financial assets	23	1	1
Other current assets		14	12
CURRENT ASSETS		389	201
Property, plant and equipment	7	1,668	1,556
Intangible assets	8	426	430
Goodwill	8	124	128
Interests in the Joint Ventures	9	22	67
Deferred income tax asset	14	21	21
Other non-current financial assets	23	2	—
Other non-current assets	10	50	46
NON-CURRENT ASSETS		2,313	2,248
TOTAL ASSETS		2,702	2,449
LIABILITIES			
Trade and other payables	11	131	92
Current portion of debt	12	101	145
Subscription receipts	29	173	—
Current income tax liability		—	2
Other current financial liabilities	23	47	41
CURRENT LIABILITIES		452	280
Non-current debt	12	1,439	1,276
Convertible debentures	13	135	133
Deferred income tax liability	14	70	88
Decommissioning liability	15	34	32
Other non-current financial liabilities	23	31	37
Other non-current liabilities		27	44
NON-CURRENT LIABILITIES		1,736	1,610
TOTAL LIABILITIES		2,188	1,890
EQUITY			
Equity attributable to shareholders		496	545
Non-controlling shareholders		18	14
TOTAL EQUITY		514	559
TOTAL LIABILITIES AND EQUITY		2,702	2,449

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

The Board of Directors approved these audited annual consolidated financial statements on March 2, 2017.

(s) Robert F. Hall

Robert F. Hall, Director

(s) Pierre Seccareccia

Pierre Seccareccia, Director

Consolidated Statements of Earnings (Loss)

(in millions of Canadian dollars, except per share amounts)		Note	2016	2015
REVENUES				
Revenues from energy sales			299	266
Other income			3	2
			302	268
COSTS AND OTHER EXPENSES				
Operating	19		87	79
Administrative	19		18	18
Development			13	10
Amortization			116	97
Other losses			1	—
			235	204
OPERATING INCOME				
			67	64
Financing costs	20		76	73
Foreign exchange gain			(1)	(2)
Net loss on financial instruments			4	7
Share in earnings of the Joint Ventures	9		5	8
Loss on redemption of convertible debentures	13		—	3
EARNINGS (LOSS) BEFORE INCOME TAXES				
			(7)	(9)
Income tax recovery	14		(9)	(1)
NET EARNINGS (LOSS)				
			2	(8)
NET EARNINGS (LOSS) ATTRIBUTABLE TO:				
Shareholders of Boralex			(2)	(11)
Non-controlling shareholders			4	3
NET EARNINGS (LOSS)				
			2	(8)
NET LOSS PER SHARE (BASIC AND DILUTED) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX				
	21		(\$0.03)	(\$0.21)

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

Consolidated Statements of Comprehensive Income (Loss)

(in millions of Canadian dollars)	2016	2015
NET EARNINGS (LOSS)	2	(8)
Other comprehensive income (loss) to be subsequently reclassified to net earnings (loss) when certain conditions are met		
Translation adjustments:		
Unrealized foreign exchange gain (loss) on translation of financial statements of self-sustaining foreign operations	(17)	19
Hedge of net investment:		
Change in fair value	5	(6)
Cash flow hedges:		
Change in fair value	(14)	(6)
Hedging items realized and recognized in net loss	13	11
Income taxes	—	(2)
Cash flow hedges - Joint Ventures:		
Change in fair value	(4)	(11)
Hedging items realized and recognized in net loss	6	5
Income taxes	(1)	2
Total other comprehensive income (loss)	(12)	12
COMPREHENSIVE INCOME (LOSS)	(10)	4
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:		
Shareholders of Boralex	(14)	3
Non-controlling shareholders	4	1
COMPREHENSIVE INCOME (LOSS)	(10)	4

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

Consolidated Statements of Changes in Equity

2016

(in millions of Canadian dollars)	Equity attributable to shareholders					Total	Non-controlling shareholders	Total equity
	Capital stock	Equity component of convertible debentures	Contributed surplus	Retained earnings	Accumulated other comprehensive loss			
BALANCE AS AT JANUARY 1, 2016	556	4	9	19	(43)	545	14	559
Net earnings (loss)	—	—	—	(2)	—	(2)	4	2
Other comprehensive loss	—	—	—	—	(12)	(12)	—	(12)
COMPREHENSIVE INCOME (LOSS)	—	—	—	(2)	(12)	(14)	4	(10)
Dividends (note 16)	—	—	—	(36)	—	(36)	—	(36)
Subscription receipt issuance costs (note 29)	(3)	—	—	—	—	(3)	—	(3)
Exercise of options (note 16)	4	—	—	—	—	4	—	4
Net contribution of a non-controlling shareholder (note 18)	—	—	—	—	—	—	7	7
Distributions paid to a non-controlling shareholder (note 18)	—	—	—	—	—	—	(7)	(7)
BALANCE AS AT DECEMBER 31, 2016	557	4	9	(19)	(55)	496	18	514

2015

(in millions of Canadian dollars)	Equity attributable to shareholders					Total	Non-controlling shareholders	Total equity
	Capital stock	Equity component of convertible debentures	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)			
BALANCE AS AT JANUARY 1, 2015	228	14	9	109	(57)	303	33	336
Net earnings (loss)	—	—	—	(11)	—	(11)	3	(8)
Other comprehensive income (loss)	—	—	—	—	14	14	(2)	12
COMPREHENSIVE INCOME (LOSS)	—	—	—	(11)	14	3	1	4
Share of a non-controlling shareholder resulting from a business combination (note 5)	—	—	—	—	—	—	6	6
Dividends (note 16)	—	—	—	(27)	—	(27)	—	(27)
Shares issuances (note 16)	120	—	—	—	—	120	—	120
Issuance of 2015 convertible debentures (note 13)	—	4	—	—	—	4	—	4
Conversion and redemption of 2010 convertible debentures (notes 13 and 16)	208	(14)	—	—	—	194	—	194
Excess of proceeds on repurchase of non-controlling shareholders (note 18)	—	—	—	(52)	—	(52)	(25)	(77)
Contribution of non-controlling shareholders (note 18)	—	—	—	—	—	—	7	7
Distributions paid to a non-controlling shareholder (note 18)	—	—	—	—	—	—	(8)	(8)
BALANCE AS AT DECEMBER 31, 2015	556	4	9	19	(43)	545	14	559

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

Consolidated Statements of Cash Flows

(in millions of Canadian dollars)	Note	2016	2015
Net earnings (loss)		2	(8)
Distributions received from the Joint Ventures	9	15	29
Financing costs		76	73
Interest paid		(66)	(65)
Income tax recovery		(9)	(1)
Income taxes paid		(8)	(1)
Non-cash items in earnings loss :			
Net loss on financial instruments		4	7
Share in earnings of the Joint Ventures	9	(5)	(8)
Amortization		116	97
Loss on redemption of convertible debentures	13	—	3
Other		3	2
Change in non-cash items related to operating activities	22	20	(14)
NET CASH FLOWS RELATED TO OPERATING ACTIVITIES		148	114
Business acquisitions, net of cash acquired	5	(16)	(60)
Additions to property, plant and equipment	7	(223)	(330)
Acquisition of energy sales contracts	7	(32)	—
Return of capital by the Joint Venture Phase I	9	40	—
Change in restricted cash		(20)	7
Other		(7)	(6)
NET CASH FLOWS RELATED TO INVESTING ACTIVITIES		(258)	(389)
Net increase in non-current debt		308	425
Repayments on current and non-current debt		(151)	(312)
Convertible debenture issuance proceeds, net of transaction costs	13	—	138
Redemption of convertible debentures	13	—	(47)
Contribution of non-controlling shareholders	18	—	7
Distributions paid to a non-controlling shareholder	18	(7)	(8)
Dividends paid to shareholders of Boralex	16	(36)	(27)
Share issuance proceeds, net of transaction costs	16	—	118
Subscription receipt issuance proceeds, net of transaction costs	29	170	—
Restricted cash received from subscription receipt issuance	29	(170)	—
Exercise of options	16	4	—
Redemption of financial instruments prior to maturity		(4)	—
NET CASH FLOWS RELATED TO FINANCING ACTIVITIES		114	294
TRANSLATION ADJUSTMENT ON CASH AND CASH EQUIVALENTS		(4)	6
NET CHANGE IN CASH AND CASH EQUIVALENTS		—	25
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR		100	75
CASH AND CASH EQUIVALENTS - END OF YEAR		100	100

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

Notes to Consolidated Financial Statements

As at December 31, 2016

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

Note 1. Incorporation and Nature of Business

Boralex Inc., its subsidiaries and its Joint Ventures ("Boralex" or the "Corporation") are dedicated to the development, construction and operation of renewable energy power facilities. As at December 31, 2016, the Corporation had interests in 50 wind power stations, 15 hydroelectric power stations, two thermal power stations and three solar power facilities, representing an asset base with a total installed capacity of 1,535 megawatts ("MW") of which 1,365 MW are under its control. This data includes the 230 MW wind farm in Ontario, Canada whose acquisition was announced by Boralex in December 2016 and which was completed in January 2017. In addition, Boralex currently has new projects under development, representing an additional 202 MW of power. The Corporation also operates two hydroelectric power stations on behalf of R.S.P. Énergie Inc., an entity of which two of the three shareholders, Richard and Patrick Lemaire, are directors of the Corporation. The generated power is sold mainly in Canada, France and the United States.

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

(The data expressed in MW, MWh and GWh contained in notes 1, 5, 7, 24, 26, 28 and 29 have not been reviewed by the auditors.)

Note 2. Basis of Presentation

These audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as published by the International Accounting Standards Board ("IASB") and set out in the CPA Canada Handbook, including International Accounting Standards ("IAS") and the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") applicable to the preparation of financial statements, and IAS 1, *Presentation of Financial Statements*. The Corporation has consistently applied the same accounting policies for all of the periods presented except for the new standards adopted during the year.

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

Note 3. Significant Accounting Policies

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

Measurement Basis

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

Basis of Consolidation

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

Subsidiaries

The subsidiaries are entities over which the Corporation exercises control. The Corporation controls an entity when it has power to direct the relevant activities, when it is exposed, or has rights to variable returns, and when it has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date the Corporation acquires control and are deconsolidated on the date control ends. Intercompany transactions and balances as well as unrealized gains and losses on transactions between these entities are eliminated.

Note 3. Significant Accounting Policies (cont'd)

The Corporation's main subsidiaries as at December 31, 2016 were as follows:

Name of subsidiary	Note	Voting rights held	Location
Boralex Europe SARL		100%	Luxembourg
Boralex EnR S.A.S. ⁽¹⁾		100%	France
Groupe Ressources Forestières SAS		100%	France
European Forest Resources LP		100%	Scotland
Boralex US Energy Inc.		100%	United States
Boralex Ontario Energy Holdings L.P.		100%	Canada
Boralex Ontario Energy Holdings 2 L.P.		100%	Canada
Jamie Creek L.P.		100%	Canada
Éoliennes Témiscouata S.E.C.		51%	Canada
Éoliennes Témiscouata II L.P.		100%	Canada
Frampton Wind Energy L.P.		67%	Canada
Éoliennes Côte-de-Beaupré S.E.C.		51%	Canada
Boralex Power Limited Partnership		100%	Canada
Yellow Falls Power LP		100%	Canada
Moose Lake Wind LP		70%	Canada
Port Ryerse Wind Farm LP	29	75%	Canada

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

Joint Ventures

A Joint Venture is a joint arrangement in which the parties are bound by a contractual agreement that gives them joint control over the net assets. The decisions about the relevant activities of the joint arrangement require the unanimous consent of the parties that exercise joint control. The Corporation's interest in the Joint Ventures is accounted for using the equity method. The Corporation's *Share in earnings of the Joint Ventures* is recorded as a separate line item in the consolidated statement of loss. Unrealized gains and losses on transactions between the Corporation and the joint ventures are eliminated to the extent of the Corporation's interest in the Joint Ventures.

If an interest in a Joint Venture becomes negative, the carrying amount of such interest is reduced to zero and the adjustment is recorded under *Excess of distributions received over the share of net earnings*. If the carrying amount of the interest in the Joint Venture becomes positive during the subsequent period, Boralex will reverse such adjustment up to the accumulated amount previously recorded as excess of distributions received over the share of net earnings.

The Corporation's main Joint Ventures as at December 31, 2016 were as follows:

Name of Joint Venture	% interest	Location
Seigneurie de Beupré Wind Farms 2 and 3 General Partnership ("Joint Venture Phase I")	50 %	Canada
Seigneurie de Beupré Wind Farm 4 General Partnership ("Joint Venture Phase II")	50 %	Canada
Jammerland Bay Nearshore AIS ("Denmark")	50 %	Denmark

Non-controlling Shareholders

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

Business Combinations

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

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

Note 3. Significant Accounting Policies (cont'd)

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

Foreign Currency Translation

Functional and Reporting Currency

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

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

Foreign Currency Transactions

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

Financial Instruments

Financial assets and liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument. Financial assets are removed from the statement of financial position when the rights to receive cash flows from the assets have expired or have been transferred and the Corporation has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is extinguished, cancelled or terminated.

Classification of Financial Instruments

The Corporation classifies its financial instruments by category according to their nature and their characteristics. Management determines the classification of its financial assets and liabilities upon initial recognition. The Corporation classifies its financial assets and liabilities in the following categories:

(a) Financial Assets and Liabilities at Fair Value Through Profit or Loss

Financial assets and liabilities at fair value through profit or loss are financial assets and liabilities held for trading. A financial asset or liability is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also classified as held for trading unless they are designated as hedges. Financial instruments classified in this category are reported under current assets or current liabilities. The financial instrument is recorded initially and subsequently at fair value determined using market prices. Directly attributable transaction costs and any changes in fair value are recognized in net loss.

(b) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented in current assets when recoverable within 12 months following the end of the reporting period. Otherwise, they are classified as non-current assets. Financial instruments classified in this category include *Cash and cash equivalents*, *Restricted cash*, *Trade and other receivables* and *Reserve funds*. Such instruments are initially recognized at fair value plus directly attributable transaction costs. Subsequently, *Trade and other receivables* are measured at amortized cost using the effective interest method less allowances for doubtful accounts.

(c) Other Liabilities at Amortized Cost

Other liabilities are recognized initially at fair value and transaction costs are deducted from this fair value. Subsequently, other liabilities are measured at amortized cost. The difference between the initial carrying amount of other liabilities and their repayment value is recognized in net loss over the term of the contract using the effective interest method. Other liabilities are presented in current liabilities when they are repayable within 12 months following the end of the reporting period. Otherwise, they are classified as non-current liabilities. This item includes *Trade and other payables*, *Non-current debt*, *Convertible debentures* and *Subscription receipts*.

(d) Compound Financial Instruments

Compound financial instruments issued by the Corporation, namely convertible debentures, are split into separate liability and equity components in accordance with the substance of the contractual arrangement. At the issue date, the fair value of the liability component was measured using the prevailing market interest rate for a similar non-convertible instrument. This amount is recognized as a liability at amortized cost using the effective interest method until conversion or maturity of the instrument. The equity component is determined by deducting the amount of the liability component from the total fair value of the compound instrument. This amount, less the tax impact, is accounted for in equity and is not subsequently remeasured.

Hedge Accounting

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

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

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

Cash Flow Hedges

As at December 31, 2016, the Corporation designated all interest rate financial swaps as cash flow hedges. In a cash flow hedge relationship, the change in value of the effective portion of the derivative is recognized in *Accumulated other comprehensive loss*. The gain or loss relating to the ineffective portion is recognized immediately in the statement of loss under *Net gain or loss on financial instruments*.

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

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

Hedge of a Net Investment in Self-sustaining Foreign Operations

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

The amounts recognized in *Accumulated other comprehensive loss* are reclassified to net loss when the corresponding foreign exchange gains or losses resulting from the translation of self-sustaining foreign operations are recognized in net loss.

Cash and Cash Equivalents

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

Restricted Cash

Restricted cash comprises highly liquid investments in reserve to finance capital expenditures within a one-year period following each year-end and cash from the issuance of subscription receipts.

Inventories

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

Property, Plant and Equipment

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

Wind Power Stations

Wind power stations are amortized by component using the straight-line method over their useful life ranging from five to 40 years.

Hydroelectric Power Stations

Hydroelectric power stations are amortized by component using the straight-line method over their useful life ranging from 20 to 40 years.

Thermal Power Stations

Thermal power stations are amortized by component using the straight-line method over their useful life ranging from 20 to 25 years.

Solar Power Stations

Solar power stations are amortized by component using the straight-line method over a useful life of 20 years.

Major Maintenance

Major maintenance work is capitalized and amortized using the straight-line method over the scheduled maintenance frequency, that is, a useful life of approximately five years.

Useful lives, residual values and amortization methods are reviewed every year according to asset type, expected usage and changes in technology. Impairment losses and reversals, if any, are recognized in loss under *Impairment of property, plant and equipment*.

Other Intangible Assets

Energy Sales Contracts

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

Water Rights

The hydroelectric power stations with water rights are amortized on a straight-line basis over the contract terms, including one renewal period, which range from 20 to 30 years. Assets with indefinite lives, consisting of the water rights at the Buckingham power station, are not amortized but are tested for impairment annually on October 31 or as soon as there is evidence of impairment. Any impairment loss is charged to earnings (loss) in the period in which it arises.

Development Projects

Project development costs include design and acquisition costs related to new projects. These costs are deferred until construction begins on the new power station or expansion of an existing power station, at which time they are transferred to property, plant and equipment and intangible assets, as appropriate. The Corporation defers costs for projects when it believes they are more likely than not to be completed. If this probability subsequently declines, the costs deferred to that date are expensed.

Contingent Consideration

Contingent consideration relating to asset acquisitions are capitalized under intangible assets when the payments are made or when the precondition has been fulfilled by the Corporation.

Goodwill

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

Other Non-current Assets

Reserve Funds

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

Renewable Energy Tax Credits

Renewable energy tax credits which were attributed on the basis of incurred operating expenses were recorded as a reduction of operating expenses for the period in which the credits were earned to the extent that it is more likely than not that they will be recoverable during their useful lives. This program came to an end on December 31, 2009.

Borrowing Costs

The Corporation capitalizes borrowing costs directly attributable to the acquisition, construction or production of qualifying assets during their active construction. Other borrowing costs are expensed during the period in which they are incurred.

Leases

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 loss on a straight-line basis over the lease term.

Finance leases are capitalized at the commencement of the lease term at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and financing costs so as to achieve a constant rate on the balance outstanding. Such lease obligations, net of financing costs, are included under *Other non-current liabilities*. The interest component of the financing costs is charged to earnings (loss) over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Property, plant and equipment acquired under finance leases are amortized over the shorter of the useful life of the asset and the lease term.

Impairment of Assets

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

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

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

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

Provisions

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

Litigation Provisions

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

Decommissioning Liability

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

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

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

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

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

Income Taxes

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

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

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

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

Equity

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

Stock-Based Compensation

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

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

Revenue Recognition

The Corporation recognizes its revenue under the following policies:

Revenues from Energy Sales

The Corporation recognizes its revenues, which consist of energy sales, when persuasive evidence of an arrangement exists, the goods are delivered, the significant risks and benefits of ownership are transferred, the price is fixed or determinable and collection of the resulting receivable is reasonably assured.

Other Income

Other income is recognized when the service is provided and collection is considered likely.

Net Earnings (Loss) per Share

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

Change in Accounting Policies

IAS 1, *Presentation of Financial Statements*

In December 2014, the IASB issued amendments to IAS 1, *Presentation of Financial Statements*, as part of its initiative to improve presentation and disclosure requirements for financial reporting. The amendments to IAS 1 provide further guidance on the current presentation and disclosure requirements for materiality, notes structure, subtotals, accounting policies and disaggregation. The amendments also provide additional guidance on the exercise of professional judgment when determining what information to disclose in the preparation of notes to the financial statements. These amendments apply to fiscal years beginning on or after January 1, 2016, date at which the Corporation adopted this new standard, and this change had no material impact on the Corporation's consolidated financial statements.

Future Changes in Accounting Policies

IAS 7, *Statement of Cash Flows*

On February 2, 2016, the IASB issued narrow-scope amendments to IAS 7, *Statement of Cash Flows*, to require entities to provide information on changes in their financing liabilities. The changes apply to fiscal years beginning on or after January 1, 2017 with earlier adoption permitted.

IFRS 9, Financial Instruments

In July 2014, IASB completed its three-phase project to replace IAS 39, *Financial Instruments: Recognition and Measurement*, by issuing IFRS 9, *Financial Instruments*. IFRS 9 addresses the classification and measurement of financial assets and liabilities, and introduces a forward-looking expected credit loss impairment model and a substantially reformed hedge accounting model.

To determine whether a financial asset should be measured at amortized cost or at fair value, IFRS 9 uses a new approach that replaces the multiple rules of IAS 39. The approach recommended by IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of financial assets. Most of the requirements of IAS 39 for the classification and measurement of financial liabilities are carried forward in IFRS 9. However, the portion of the changes in fair value related to the entity's own credit risk, in measuring a financial liability at fair value through profit or loss, will be presented in *Accumulated other comprehensive loss* instead of in the statement of earnings (loss).

IFRS 9 also sets out an expected credit loss impairment model that will require more timely recognition of credit losses. More specifically, the new standard requires entities to account for expected credit losses upon initial recognition of financial instruments, and to recognize lifetime credit losses on a timely basis.

Last, IFRS 9 introduces a new hedge accounting model together with corresponding disclosure requirements about risk management activities. The new hedge accounting model represents a substantial overhaul of hedge accounting that will enable entities to better reflect their risk management activities in their financial statements.

IFRS 9 will be effective for the Corporation's fiscal year beginning on or after January 1, 2018, but earlier adoption is permitted. The Corporation is currently assessing the impact of adopting this standard on its financial statements.

IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*, a new standard that specifies the steps and timing for issuers to recognize revenue as well as requiring them to provide more informative, relevant disclosures. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those services. This standard supersedes IFRS 11, *Construction Contracts*, IAS 18, *Revenue*, as well as various interpretations regarding revenue. IFRS 15 is effective for fiscal years beginning on or after January 1, 2018 with earlier adoption permitted. The Corporation is currently assessing the impact of adopting this standard on its financial statements.

IFRS 16, Leases

In January 2016, the IASB issued IFRS 16, *Leases*, which supersedes IAS 17, *Leases*, as well as several interpretations on leases. IFRS 16 eliminates the classification of leases by a lessee between operating and finance leases. Instead, all leases will be classified as finance leases and recognized in the statement of financial position under lease assets and financial liabilities, with certain exceptions. IFRS 16 is effective for fiscal years beginning on or after January 1, 2019, with earlier adoption permitted provided that IFRS 15, *Revenue from Contracts with Customers*, is also applied. The Corporation is currently assessing the impact of adopting this standard on its financial statements.

Note 4. Main Sources of Uncertainty

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

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

Main Sources of Uncertainty Relating to Management's Estimates

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

Impairment of Assets

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

Recoverable Amount

Recoverable amounts are determined using value-in-use calculations based on cash flows discounted over a five-year period that factor in current economic conditions and management's estimates based on past experience. Expected future cash flows are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, including market and production estimates, together with economic factors such as selling prices and contract renewal prices, production cost estimates, future capital expenditure, after-tax discount rates, the growth rate and useful lives.

Discount Rate

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

Growth Rate

The growth rate is determined based on past experience, economic trends as well as market and industry trends.

Useful Lives of Property, Plant and Equipment and Intangible Assets with Finite Useful Lives

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

Deferred Taxes

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

Decommissioning Liability

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

Fair Value of Financial Instruments

Fair value is determined using discounted cash flow models. Fair value determined using such valuation models requires the use of assumptions concerning the amount and timing of estimated future cash flows, as well as for numerous other variables. These assumptions are determined using external, readily observable market inputs. Since they are based on estimates, fair values may not be realized in an actual sale or immediate settlement of the instruments. See note 23 for a more detailed explanation of the bases for the calculations and estimates used. Derivative financial instruments designated as cash flow hedges are accounted for at fair value in the statement of financial position and changes in fair value are reported in comprehensive income (loss).

Fair Value of Business Combinations

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

Main Sources of Uncertainty Relating to Management's Key Judgments

Evidence of Asset Impairment

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

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

Determining the Development Phase

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

Business Combination or Asset Acquisition

When a development project is acquired, management is required to exercise its judgment to determine whether the transaction constitutes a business combination under IFRS 3, *Business Combinations*, or an asset acquisition. Management determines that a transaction is defined as a business combination when an acquired development project has completed the key steps required to obtain construction permits, financing and an energy sales contract.

Note 5. Business Combinations

Acquisition of a Portfolio in Europe (Ecotera)

On December 28, 2015, Boralex announced the closing of an acquisition, through its subsidiary Boralex Europe SARL, of 100% of the shares of several companies holding a portfolio of wind power projects under development in Northern France amounting to nearly 350 MW ("Ecotera"), for a net cash consideration of \$44 million (€29 million). With this acquisition, Boralex gained access to a significant project portfolio, a number of which could be commissioned in 2017 and 2018.

This transaction gave rise to acquisition costs, which were expensed. This entity was acquired under Boralex's growth strategy through acquisitions aimed at expanding its market share in the French wind power market. The acquisition was accounted for by the Corporation using the acquisition method set out in IFRS 3, *Business Combinations*. The statement of financial position and the results of this acquisition are consolidated as of December 28, 2015.

The following table shows the final purchase price allocation:

	Preliminary allocation		Final allocation	
	(in \$)	(in €)	(in \$)	(in €)
Other current assets	1	1	1	1
Property, plant and equipment under construction	1	1	1	1
Development projects	4	3	4	3
Energy sales contracts	75	49	76	50
Goodwill	25	16	26	17
Current liabilities	(5)	(3)	(5)	(3)
Deferred income tax liabilities	(25)	(16)	(26)	(17)
Net assets	76	51	77	52
Less:				
Contingent consideration - current portion	16	11	17	12
Contingent consideration - non-current portion	16	11	16	11
Net consideration paid for the acquisition	44	29	44	29

The final purchase price allocation was determined using fair values at the acquisition date and the exchange rate in effect at that date.

For the fiscal year ended December 31, 2015, the acquired entity did not contribute to revenues from energy sales and generated non-significant net earnings (loss) attributable to shareholders of Boralex, as the projects are under construction and the costs are mainly capitalized.

Contingent consideration is related to a potential compensation agreement signed by the parties to the share sale agreements. Under the terms of the agreements, Boralex will have to make future payments to the seller based on the achievement of certain key steps. Contingent consideration was measured at \$33 million (€23 million) at the date of the acquisition, \$16 million of which was paid in 2016.

Touvent Acquisition

On February 5, 2015, Boralex announced the closing of a transaction under which it acquired, through its subsidiary, Boralex Europe S.A., 100% of the shares of an entity owning a 14 MW wind power project under development in France (the "Touvent" wind power project), which is covered by a 15-year energy sales contract with EDF, for a total cash consideration paid of \$5 million (€4 million). This transaction gave rise to non-significant acquisition costs, which were expensed. This entity was acquired under Boralex's growth strategy through acquisitions aimed at expanding its market share in the French wind power market.

The acquisition was accounted for by the Corporation using the acquisition method set out in IFRS 3, *Business Combinations*. The statement of financial position and the results of this acquired entity are consolidated as of February 5, 2015.

The following table shows the final purchase price allocation:

	Preliminary allocation		Final allocation	
	(in \$)	(in €)	(in \$)	(in €)
Development project	1	1	1	1
Energy sales contract	—	—	4	3
Goodwill	4	3	1	1
Deferred income tax liabilities	—	—	(1)	(1)
Total consideration paid for the acquisition	5	4	5	4

The final purchase price allocation was determined using fair values at the acquisition date and the exchange rate in effect at that date.

Frampton Acquisition

On January 12, 2015, Boralex acquired an interest in the 24 MW Frampton community wind power project for a total cash consideration of \$12 million in cash. The payment was made in two instalments, \$11 million in February 2015 and \$1 million in December 2014. Boralex has a 67% interest and the Municipality of Frampton a 33% interest in the project, which is covered by a 20-year energy sales contract with Hydro-Québec. The wind power station was commissioned on December 15, 2015.

This entity was acquired under Boralex's growth strategy through acquisitions aimed at expanding its market share in the Québec wind power market. The acquisition was accounted for by the Corporation using the acquisition method set out in IFRS 3, *Business Combinations*. The statement of financial position and the results of this acquired entity are consolidated as of January 12, 2015. The wind power station was commissioned on December 15, 2015.

The following table shows the final purchase price allocation:

	Preliminary allocation	Final allocation
Property, plant and equipment under construction	1	1
Energy sales contract	—	18
Goodwill	11	2
Deferred income tax liabilities	—	(3)
Non-controlling shareholders	—	(6)
Total consideration paid for the acquisition	12	12

The final purchase price allocation was determined using fair values at the acquisition date.

Note 6. Trade and other Receivables

	Note	As at December 31, 2016	As at December 31, 2015
Trade receivables - net		41	41
Receivables from related parties	27	2	1
Tax receivables		15	16
Payment receivable for property, plant and equipment		6	15
Other receivables		17	12
		81	85

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

The Corporation has not recorded a provision for the accounts in the above table given the clients' high credit ratings. Also, no receivables have been written off. As at December 31, 2016, approximately 17% of trade and other receivables (2% as at December 31, 2015) were outstanding for more than 90 days since invoice date, while approximately 64% (88% as at December 31, 2015) were current (under 30 days).

The payment receivable for property, plant and equipment consisted of a due from Hydro-Québec for repayment related to the transformer substation and collector system for certain wind farms.

Note 7. Property, Plant and Equipment

	Wind power stations	Hydroelectric power stations	Thermal power stations	Solar power stations	Corporate	Total
Year ended December 31, 2015						
Balance - beginning of year	929	230	28	18	6	1,211
Translation adjustment	47	20	1	2	—	70
Additions	297	28	3	16	1	345
Additions through business combinations (note 5)	2	—	—	—	—	2
Amortization	(62)	(9)	(4)	(1)	(1)	(77)
Other	1	3	—	—	1	5
Balance - end of year	1,214	272	28	35	7	1,556
As at December 31, 2015						
Cost	1,492	330	63	41	16	1,942
Accumulated amortization	(278)	(58)	(35)	(6)	(9)	(386)
Net carrying amount	1,214	272	28	35	7	1,556
Year ended December 31, 2016						
Balance - beginning of year	1,214	272	28	35	7	1,556
Translation adjustment	(42)	(4)	—	(2)	—	(48)
Additions	202	38	2	—	5	247
Amortization	(78)	(9)	(4)	(2)	(1)	(94)
Other	8	—	(1)	—	—	7
Balance - end of year	1,304	297	25	31	11	1,668
As at December 31, 2016						
Cost	1,645	363	63	38	20	2,129
Accumulated amortization	(341)	(66)	(38)	(7)	(9)	(461)
Net carrying amount	1,304	297	25	31	11	1,668

Amortization of property, plant and equipment is recorded under *Amortization*.

Property, plant and equipment include sites under construction for an amount of \$111 million (\$27 million as at December 31, 2015). These assets are not amortized until they are commissioned.

An amount of \$46 million relating to additions to property, plant and equipment still unpaid as at December 31, 2016 (\$26 million in 2015) was included under *Trade and other payables*.

Acquisition of a Portfolio of Wind Power Projects in France and Scotland

On September 16, 2016, Boralex announced the closing of the acquisition of a portfolio of wind power projects of nearly 200 MW located in France and in Scotland as well as land totalling some 8,500 hectares on which projects will be developed, for a net cash consideration of \$104 million (€70 million). As at December 31, 2016, an amount of \$75 million (€53 million) was recognized for the acquisition of property, plant and equipment and \$32 million (€22 million) for the acquisition of the Moulins du Lohan project which is covered by an energy sales contract and whose commissioning is slated for 2018. This transaction has been accounted for as an acquisition of a group of assets. The acquired assets and assumed liabilities were recognized at cost on the basis of their relative fair value at the acquisition date.

Note 8. Other Intangible Assets and Goodwill

	Other intangible assets					
	Energy sales contracts	Water rights	Development projects	Other intangibles	Total	Goodwill
Year ended December 31, 2015						
Balance - beginning of year	208	103	19	4	334	95
Translation adjustment	13	—	—	—	13	4
Additions	—	—	4	2	6	—
Additions through business combinations (note 5)	98	—	5	—	103	29
Amortization	(17)	(3)	—	—	(20)	—
Other	10	—	(15)	(1)	(6)	—
Balance - end of year	312	100	13	5	430	128
As at December 31, 2015						
Cost	379	116	13	8	516	128
Accumulated amortization	(67)	(16)	—	(3)	(86)	—
Net carrying amount	312	100	13	5	430	128
Year ended December 31, 2016						
Balance - beginning of year	312	100	13	5	430	128
Translation adjustment	(13)	—	—	—	(13)	(4)
Additions (note 7)	32	1	3	—	36	—
Amortization	(19)	(3)	—	—	(22)	—
Transfer of assets to property, plant and equipment	—	—	(6)	—	(6)	—
Other	1	—	—	—	1	—
Balance - end of year	313	98	10	5	426	124
As at December 31, 2016						
Cost	394	117	10	8	529	124
Accumulated amortization	(81)	(19)	—	(3)	(103)	—
Net carrying amount	313	98	10	5	426	124

Amortization of energy sales contracts, water rights and other intangible assets is recorded under *Amortization*.

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

Energy sales contracts	17 years
Water rights	26 years

Water rights of the Buckingham hydroelectric power station, which amounted to \$38 million in 2016 and 2015, are not amortized given their indefinite useful life. *Development projects* consist primarily of wind power projects in Europe, British Columbia and Ontario and a hydroelectric power project in Québec. *Other intangible assets* consist primarily of an enterprise resource planning system (ERP) and licenses for wind power projects under development.

Note 8. Other Intangible Assets and Goodwill (cont'd)

The following table shows the allocation of goodwill by CGU:

	As at December 31, 2016	As at December 31, 2015
11 BEV wind farms in operation and the Comes de l'Arce wind farm	46	49
Seven hydroelectric power stations	38	38
Ecotera wind power projects	24	25
St-Patrick, Vron, Fortel-Bonnières and St-François wind farms	10	10
Other	6	6
	124	128

Goodwill and water rights with indefinite useful life relating to the Buckingham power station were tested for impairment as at October 31, 2016. Currently, according to analyses, the recoverable amounts of the cash-generating units determined using cash flow projections exceed the carrying amounts. A discount rate between 3.92% and 6.56% and a growth rate of 2% were used in these impairment tests.

Note 9. Interests in the Joint Ventures

Joint Ventures Phases I and II

The Corporation entered into partnership agreements with a subsidiary of Gaz Métro L.P. and Valener Inc. and created Seigneurie de Beaupré Wind Farms 2 and 3 General Partnership ("Joint Venture Phase I") and Seigneurie de Beaupré Wind Farm 4 General Partnership ("Joint Venture Phase II") located in Canada, of which each party owns 50%. Under these agreements, all expenditures are made jointly and all earnings, costs, expenses, liabilities, obligations and risks resulting from the Joint Ventures are shared jointly but not severally. The Corporation's interest in these Joint Ventures is accounted for using the equity method. The year-end date of these Joint Ventures is December 31.

Joint Venture in Denmark

In July 2014, Boralex entered into a Joint Venture agreement with a Danish developer. The Joint Venture's goal is to develop nearshore wind farm projects in Denmark.

Interests in the Joint Ventures

	2016				2015			
	Phase I	Phase II	Denmark	Total	Phase I	Phase II	Denmark	Total
Balance - beginning of year	50	14	3	67	67	22	3	92
Share in net earnings (loss)	7	1	—	8	9	1	—	10
Share in other comprehensive income (loss)	2	—	—	2	(6)	—	—	(6)
Return of capital	(40)	—	—	(40)	—	—	—	—
Distributions	(12)	(3)	—	(15)	(20)	(9)	—	(29)
Balance - end of year	7	12	3	22	50	14	3	67

Financial Statements of Joint Ventures Phases I and II (100%)

	As at December 31, 2016			As at December 31, 2015		
	Phase I	Phase II	Total	Phase I	Phase II	Total
Cash and cash equivalents	16	3	19	15	3	18
Other current assets	11	3	14	9	2	11
Non-current assets	606	164	770	641	174	815
TOTAL ASSETS	633	170	803	665	179	844
Current portion of debt	26	4	30	25	4	29
Other current liabilities	12	3	15	10	3	13
Non-current debt	490	128	618	435	132	567
Non-current financial liabilities	45	—	45	46	—	46
Other non-current liabilities	45	12	57	48	13	61
TOTAL LIABILITIES	618	147	765	564	152	716
NET ASSETS	15	23	38	101	27	128

Note 9. Interests in the Joint Ventures (cont'd)

	2016			2015		
	Phase I	Phase II	Total	Phase I	Phase II	Total
Revenues from energy sales	89	22	111	95	22	117
Operating costs	13	3	16	13	4	17
Amortization	35	9	44	35	9	44
Other gains	(2)	—	(2)	(2)	(1)	(3)
OPERATING INCOME	43	10	53	49	10	59
Financing costs	31	8	39	30	9	39
Net gain on financial instruments	(1)	—	(1)	—	—	—
NET EARNINGS	13	2	15	19	1	20
Total other comprehensive income (loss)	5	—	5	(12)	—	(12)
COMPREHENSIVE INCOME	18	2	20	7	1	8

Share in Net Earnings of the Joint Ventures

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

	2016				2015			
	Phase I	Phase II	Denmark	Total	Phase I	Phase II	Denmark	Total
Share in earnings (50%)	7	1	—	8	9	1	—	10
Other ⁽¹⁾	(3)	—	—	(3)	(2)	—	—	(2)
Share in net earnings of the Joint Ventures	4	1	—	5	7	1	—	8

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

Share in Comprehensive Income (Loss) of the Joint Ventures

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

	2016				2015			
	Phase I	Phase II	Denmark	Total	Phase I	Phase II	Denmark	Total
Share in comprehensive income (loss) (50%)	2	—	—	2	(6)	—	—	(6)

Refinancing - Joint Venture Phase I

On May 4, 2016, the Joint Venture Phase I announced the closing of the \$618 million refinancing facility secured by the assets of Joint Venture Phase I and without recourse against the partners. This financing facility comprises a \$383 million uncovered term loan tranche maturing in 2032, a \$193 million covered term loan tranche, under a guarantee from the Federal Republic of Germany through its export credit agency, Euler Hermes, maturing in 2029, as well as a \$41 million letter of credit facility. The non-current debt has a variable interest rate based on CDOR, plus a margin, and is repayable in semi-annual payments. For Joint Venture Phase I, this refinancing represented a \$132 million increase and a one-year extension for its uncovered tranche as well as a \$45 million decrease in the covered tranche and a **two-year** decrease in its term. The refinancing allowed Joint Venture Phase I partners to receive an \$80 million return of capital paid in the second quarter of 2016, with Boralex's share amounting to \$40 million.

Boralex's Share of the Commitments of Joint Ventures Phases I and II

	2016			
	Payments			
	Current portion	From 1 to 5 years	Over 5 years	Total
Service contracts	1	2	11	14
Maintenance contracts	4	15	—	19
Land lease contracts	1	4	14	19
Total	6	21	25	52

Energy Sales Contracts

The Joint Ventures are committed to selling 100% of their power output (subject to certain minimum criteria) under 20-year contracts maturing in 2033 and 2034. A portion of these contracts provide for annual indexation based on the Consumer Price Index ("CPI").

Service Contracts

Under the terms of service contracts entered into with Joint Ventures, Boralex will be the operator of the wind farms and will be responsible for their operation, maintenance and administration. The 21-year term contracts expire in 2033 and 2034. The amounts payable under those agreements are limited to operating and maintenance expenses and include fixed and variable management fees. Fixed management fees are indexed annually based on the CPI.

Maintenance Contracts

The Joint Ventures entered into 15-year wind turbine maintenance contracts maturing in 2028 and 2029. These contracts include a cancellation option at the Joint Ventures' discretion after seven years, that is, in 2020 and 2021.

Land Lease Contracts

The Joint Ventures have land lease contracts maturing in 2033 and 2034, renewable each year at the lessee's option. The land on which the wind turbines are installed is leased for an annual amount of approximately \$2 million indexed annually at a rate of 1.5%.

Contingencies

On January 21, 2016, the Québec Court of Appeal rendered a decision allowing the motion of the applicants (which challenged the decision of the Superior Court, District of Québec, disallowing the motion requesting authorization to institute a class action against Joint Ventures Phases I and II). In this decision, the Court of Appeal revisited the definition of the group covered by the class action by limiting the number of affected residences. However, according to the decision, the trial judge may change the group definition, if circumstances so require. The class action could be heard in the Superior Court.

As of today, the insurers of the project have assumed the total defence costs. Potential claims resulting from a possible decision favourable to the applicants could be reimbursed by the insurers, depending on their nature, and taking into account the exclusions provided for in the insurance policy.

Based on this information, the Corporation has estimated that the contingency is not significant. Accordingly, no provision has been recorded.

Note 10. Other Non-current Assets

	Note	As at December 31, 2016	As at December 31, 2015
Reserve funds	a)	37	35
Renewable energy tax credits	b)	8	8
Other		5	3
		50	46

- (a) Reserve funds consist primarily of reserves for servicing non-current debt. The reserves guarantee financing arrangements in France, the United States and Canada and are sufficient to service the debt for three to nine months, depending on the project. These reserves amounted to \$32 million (€13 million, US\$7 million and \$3 million) as at December 31, 2016 and \$30 million (€10 million, US\$7 million and \$6 million) as at December 31, 2015. A reserve to finance maintenance of property, plant and equipment amounted to \$5 million (US\$3 million and \$1 million) as at December 31, 2016 and \$5 million (US\$3 million and \$1 million) as at December 31, 2015.
- (b) Renewable energy tax credits represent the balance of tax credits earned by the Corporation in the United States and will be used to reduce the Corporation's future tax burden in that country. Financial projections indicate that the amount recorded may be realized by the expiration date, that is, from 2027 to 2029.

Note 11. Trade and Other Payables

	Note	As at December 31, 2016	As at December 31, 2015
Trade payables		48	10
Accrued liabilities		26	30
Contingent consideration - current portion	5	15	16
Interest payable		12	11
Maintenance contracts		6	4
Other payables		24	21
		131	92

Note 12. Non-current Debt

	Note	Maturity	Rate ⁽¹⁾	Currency of origin	As at December 31, 2016	As at December 31, 2015
Revolving credit facility	(a)	2020	2.90%		98	70
Term loans payable – Canada	(b)	2019-2056	5.49%		555	528
Term loans payable – Europe	(c)	2017-2033	2.81%	501	710	690
Term loan payable – United States	(d)	2026	3.51%	60	81	97
Term loan payable – Cube	(e)	2019	6.50%	40	57	60
Bridge financing facility – France and Scotland	(f)	2018	0.84%	46	64	—
		Average rate	3.86%		1,565	1,445
Current portion of debt					(101)	(145)
Borrowing cost, net of accumulated amortization					(25)	(24)
					1,439	1,276

⁽¹⁾ Weighted average rates adjusted to reflect the impact of interest rate swaps, where applicable.

(a) Refinancing - Revolving Credit Facility

On April 28, 2016, the Corporation announced the closing of the refinancing and the increasing of its revolving credit facility for a total authorized amount of \$360 million. The new financing facility, comprising a \$300 million revolving credit facility and a \$60 million letter of credit facility guaranteed by Export Development Canada ("EDC"), replaces the \$175 million revolving credit facility maturing in June 2018. The revolving credit facility, maturing in 2020, is renewable annually and is secured by Boralex Inc.'s assets, its hydroelectric power stations located in Québec and its investments in its operations in the United States. For drawdowns in U.S. dollars, the interest rate formula is based on the LIBOR or the U.S. prime rate plus a margin, while the interest rate for drawdowns in Canadian dollars is based on Canadian bankers' acceptance rates or the Canadian prime rate, plus their respective margins.

As at December 31, 2016, in addition to the amount of \$98 million drawn down from the revolving credit facility, an amount of \$53 million was issued in the form of letters of credit, including \$16 million on the EDC facility. As at December 31, 2015, drawdowns amounted to \$70 million while letters of credit issued totalled \$29 million.

(b) Term Loans Payable - Canada

The Corporation has contracted term loans for three hydroelectric power stations and five wind power sites. These term loans, secured by the underlying assets at the respective sites, are repayable over periods from 2019 to 2056 on a monthly, quarterly or half-yearly basis, and bear interest at rates varying from 3.10% to 7.05% or at a weighted average rate of 5.49%, taking into account the impact of interest rate swaps.

Certain of these term loans include credit facilities to be used for certain financial commitments toward certain counterparties, including lenders. The total authorized amount of these credit facilities is \$32 million. As at December 31, 2016, an amount of \$17 million was drawn down from these facilities to issue letters of credit.

As at December 31, 2016, the balance of term loans payable included amounts for bridge facilities contracted to finance the costs incurred for the construction of the transformer substation and collector system. These bridge facilities amounting to \$6 million will be repaid in 2017 when the Corporation receives from Hydro-Québec the expected reimbursement.

Term Loan Payable - Yellow Falls Hydroelectric Power Station

On December 16, 2016, the Corporation closed the financing for its Yellow Falls hydroelectric power station. This financing comprises two fixed-rate tranches for a total amount of \$74 million a total term of 39 years. The average interest rate for the two tranches is about 5% over the total term of loans.

(c) Term Loans Payable - Europe

The Corporation has contracted term loans for most of its projects. These term loans, secured by the underlying assets of the respective projects, are repayable over periods from 2017 to 2033 on a quarterly or half-yearly basis, and bear interest at rates ranging from 1.30% to 4.72% or at a weighted average rate of 2.81%, taking into account the impact of interest rate swaps.

Certain of these term loans include revolving credit facilities with a total authorized amount of €10 million (\$14 million). As at December 31, 2016, these facilities were undrawn.

Note 12. Non-current Debt (cont'd)

During fiscal 2016, the Corporation entered into the following transactions in Europe:

Term Loan Payable - Touvent Wind Farm

On January 26, 2016, the Corporation finalized the closing of long-term financing for the Touvent wind farm. The loan, secured by the assets of this wind farm, comprises an amount of €21 million (\$29 million) and a €3 million (\$5 million) bridge value added tax ("VAT") financing facility. The €21 million loan bearing a variable interest rate will be fully amortized by quarterly instalments over a 15-year period starting when the site is commissioned. To reduce the exposure to rate fluctuations, Boralex entered into interest rate swaps to cover approximately 90% of expected future cash flows. With these swaps, the rate is fixed at 2.18% for a large portion of the financing cost for this loan.

Term Loan Payable - St-Patrick Wind Farm

On January 26, 2016, the Corporation also refinanced the term loan for the St-Patrick wind farm. The initial loan with a balance of €28 million (\$42 million) as at December 31, 2015 was repaid in full on January 29, 2016 and the related financial swaps were closed out. The new financing, secured by the assets of this wind farm, comprises an amount of €42 million (\$60 million). This variable interest rate loan will be fully amortized by quarterly instalments over an 11-year period. To reduce the exposure to rate fluctuations, Boralex entered into interest rate swaps to cover approximately 90% of expected future cash flows. With these swaps, the rate is fixed at 1.68% for a large portion of the financing cost for this loan.

Term Loan Payable - Plateau de Savernat Wind Power Project

On June 23, 2016, the Corporation closed long-term financing for the Plateau de Savernat wind power project. The loan, secured by the assets of this wind power project, comprises an amount of €18 million (\$25 million) and €1 million (\$2 million) bridge VAT financing facility. The €18 million loan will be fully amortized by semi-annual instalments over a 15-year period. The first quarterly instalment will be made a few months after commissioning. The interest rate on the loans is variable and based on EURIBOR, plus a margin. As at December 31, 2016, the Corporation had not yet entered into interest rate swaps for this loan but an interest rate swap was entered into on January 30, 2017 to cover approximately 90% of expected future cash flows. With this swap, the rate is fixed at 2.39% for a portion of the loan.

Term Loan Payable - Avignonet II Wind Farm

On June 23, 2016, the Corporation also closed long-term financing for the Avignonet II wind farm. The loan, secured by the assets of this wind farm, totals €3 million (\$4 million). The loan will be fully amortized by semi-annual instalments over a period of 9.5 years, which is the remaining term of the site's energy sales contract plus a two-year period. Since the interest rate on the loans is variable, to reduce the exposure to rate fluctuations, the Corporation entered into an interest rate swap to cover approximately 90% of expected future cash flows. With this swap, the rate is fixed at 1.72% for a portion of the loan.

Term Loan Payable - Mont de Bagny, Voie des Monts and Artois Wind Power Projects

On October 25, 2016, financing for a total amount of €100 million (\$142 million) was closed for the construction of these three wind power projects whose commissioning is slated for the second half of 2017. The financing comprises four tranches including an amount of €11 million (\$16 million) to temporarily finance payments related to VAT in France. The other tranches are long term and amortized over terms of 9 to 15 years. With the interest rate swap entered into in January 2017, the average interest rate will be fixed at about 1.5%.

(d) Term Loan Payable - United States

The U.S. note, secured by all of the South Glens Falls and Hudson Falls hydroelectric power stations' assets, is subject to a number of covenants, including the maintenance of certain financial ratios. The loan bears interest at a fixed rate of 3.51% and will be fully amortized by semi-annual payments over a 13-year period through 2026.

(e) Cube

On February 27, 2015, Boralex announced the closing of a financial settlement whereby Cube Energy SCA ("Cube") agreed to exchange its entire 25% equity interest in Boralex Europe S.A. for term loans. Under the settlement, in consideration for the Corporation acquiring 100% control of Boralex Europe, Cube would receive a payment of €16 million (\$24 million), bearing interest at a fixed rate of 6.5%, which was paid in December 2015, and the shares held by Cube would be exchanged for two term loans totalling €40 million (\$60 million) contracted by two European subsidiaries of the Corporation and bearing interest at a fixed rate of 6.5%, with no repayment prior to maturity in January 2019.

(f) Bridge Credit Facility - France and Scotland

The Corporation entered into a bridge credit facility for a total amount of €46 million (\$64 million) to finance a portion of the acquisition of a portfolio of projects in France and Scotland announced on September 16, 2016. This bridge credit facility is secured by forestry assets in France (Lanouée forest) and a €17 million (\$24 million) letter of credit issued under Boralex's revolving credit facility. The bridge credit facility will mature in December 2018, however, all proceeds from the sale of the Lanouée forest or other forest land in Scotland should be earmarked for its repayment. The letter of credit will also be reduced by an amount equivalent to the repayment made following the sale of all or part of the land in Scotland. The bridge credit facility bears interest at a variable rate of 0.84% as at December 31, 2016. Given the short-term nature of this loan, the Corporation does not intend to fix the interest rate.

Financial Ratios and Guarantees

The debt agreements include certain restrictions governing the use of cash resources of the Corporation's subsidiaries. As well, certain financial ratios, such as debt service ratios, must be met on a quarterly, semi-annual or annual basis.

The carrying amount of assets pledged to secure the loans totalled \$1,817 million as at December 31, 2016.

Substantially all of the Boralex's borrowings include requirements to establish and maintain reserve accounts or accounts for issuing letters of credit for current debt servicing, equipment maintenance or income taxes at various times over the terms of the borrowings. As at December 31, 2016, the amounts maintained in reserve accounts for that purpose stood at \$37 million (\$35 million as at December 31, 2015) (see note 10).

As at December 31, 2016 and 2015, Boralex and its subsidiaries met all of their financial ratios.

Note 13. Convertible Debentures

	Effective rate	Maturity	Initial nominal value	Nominal value as at December 31, 2015	As at December 31, 2016	As at December 31, 2015
2015 Debentures	6.34%	June 2020	144	144	135	133

As at December 31, 2016, Boralex had 1,437,500 issued and outstanding 2015 convertible debentures with a nominal value of \$100 each (1,437,500 2015 Debentures as at December 31, 2015).

On June 22, 2015, the Corporation closed its bought deal financing of convertible unsecured subordinated debentures with a syndicate of underwriters for an amount of \$125 million ("2015 Debentures"). On June 26, 2015, Boralex announced the exercising of the over-allotment for this investment in an amount of \$19 million. The total value of the 2015 Debentures was therefore \$144 million (\$137 million net of transaction costs).

These debentures bear interest at an annual rate of 4.50% payable semi-annually, in arrears, on June 30 and December 31 of each year, starting December 31, 2015. In accordance with the trust indenture, each debenture is convertible into Class A common shares of Boralex at the option of the holder at any time prior to the close of business on the earlier of the business day immediately preceding the maturity date and the business day immediately preceding the date fixed for early redemption of the debentures at the initial conversion price of \$19.60 per common share, subject to adjustments.

The 2015 Debentures may be early redeemed by Boralex after June 30, 2018. From July 1, 2018 to June 30, 2019, Boralex may, under certain circumstances, such as if Boralex's share price is trading at 125% of the conversion price, redeem these debentures at their principal amount plus accrued and unpaid interest. As of July 1, 2019, Boralex may redeem these debentures, without restrictions, at their principal amount plus accrued and unpaid interest.

The Corporation has determined the fair value of the conversion option to be \$5 million. The fair value of debentures was determined by discounting the cash flows related to these debentures at a rate of 5.30%, which is the interest rate that the Corporation would have expected to pay if the debentures did not have a conversion option, representing the excess of the fair value of debentures and their nominal value. The Corporation also incurred transaction costs in the amount of \$6 million. The initial fair value of these debentures is therefore \$132 million.

On August 31, 2015, Boralex committed itself to make a cash redemption on September 30, 2015 of a \$150 million principal amount (out of a \$244 million total principal amount) of its 2010 6.75% convertible unsecured subordinated debentures, which would not have been converted as of the redemption date. In accordance with the conversion option offered to holders of the debentures, the Corporation received conversion requests for a nominal amount of \$197 million, which resulted in the issuance of 16,864,000 new Class A shares. The Corporation redeemed at par the full non-converted principal amount of \$47 million on September 30, 2015 and recognized a loss on redemption of convertible debentures of \$3 million (\$2 million net of taxes). The equity component of the converted debentures, representing an amount of \$14 million, was reclassified to capital stock.

Note 14. Income Taxes

The impact of income tax recovery is as follows:

	2016	2015
Current taxes		
Current income tax expense	3	2
Income tax expense recognized during the year for prior years	3	—
	6	2
Deferred taxes		
Deferred tax savings related to the arising and reversal of temporary differences	(8)	(3)
Deferred tax savings recognized during the year for prior years	(3)	—
Decrease in deferred tax rates	(6)	—
Increase in unrecognized deferred tax assets	2	—
	(15)	(3)
Income tax recovery	(9)	(1)

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

	2016	2015
Net earnings (loss) before income taxes	(7)	(9)
Combined basic Canadian and provincial income tax rate	26.58%	26.58%
Income tax recovery at the statutory rate	(2)	(3)
Increase (decrease) in income taxes arising from the following:		
Non-taxable/non-deductible items	(2)	(1)
Difference in foreign operations' statutory income tax rates	1	2
Decrease in deferred tax rates	(6)	—
Change in unrecognized deferred income tax assets	2	—
Remeasurement of current and deferred income tax assets and liabilities	—	1
Foreign income taxes payable on dividends and other items	(2)	—
Effective income tax recovery	(9)	(1)

	2016	2015
Deferred income tax asset	21	21
Deferred income tax liability	(70)	(88)
	(49)	(67)

Note 14. Income Taxes (cont'd)

The changes in deferred taxes by nature are as follows:

	As at January 1, 2016	Recorded in comprehensive income (loss)	Recorded in net earnings	Business acquisitions	Recorded in capital stock	As at December 31, 2016
Deferred income tax asset related to loss carryforwards	117	—	(24)	—	—	93
Financial instruments	20	—	(9)	—	—	11
Provisions	7	—	9	—	—	16
Interests in the Joint Ventures	3	(1)	(2)	—	—	—
Temporary differences between accounting and tax amortization	(204)	—	35	(1)	—	(170)
Translation adjustments	(6)	4	6	—	—	4
Financing and other costs	(4)	—	—	—	1	(3)
Total deferred income tax liabilities	(67)	3	15	(1)	1	(49)

	As at January 1, 2015	Recorded in comprehensive income (loss)	Recorded in net loss	Business acquisitions	Recorded in convertible debentures	Recorded in capital stock	As at December 31, 2015
Deferred income tax asset related to loss carryforwards	109	—	8	—	—	—	117
Financial instruments	15	(2)	6	—	1	—	20
Provisions	5	—	2	—	—	—	7
Interests in the Joint Ventures	4	2	(3)	—	—	—	3
Temporary differences between accounting and tax amortization	(165)	—	(10)	(29)	—	—	(204)
Translation adjustments	(1)	(6)	1	—	—	—	(6)
Financing and other costs	(4)	—	(1)	—	—	1	(4)
Total deferred income tax liabilities	(37)	(6)	3	(29)	1	1	(67)

Given that future taxable income is expected to be sufficient, deductible temporary differences, unused loss carryforwards and tax credits have been recorded as a deferred tax asset in the statement of financial position. A deferred tax asset of \$3 million (\$2 million in 2015) in Canada was not imputed against the \$12 million capital loss carryforwards, as no unrealized capital gain is expected. The capital losses have no expiry date.

Note 15. Decommissioning Liability

For the wind power sites, the Corporation has a legal or contractual obligation to decommission its facilities when their commercial operations are discontinued. The Corporation has considered the duration of the leases and of the energy sales contracts, as well as their renewal periods, if applicable, ranging from 22 to 80 years, to calculate the decommissioning liability. These costs are mostly related to the removal, transportation and disposal of the reinforced concrete bases that support the wind turbines, as well as the revegetation. No disbursements are expected before 2036. As at December 31, 2016 cash flows were discounted using pre-tax interest rates that reflect the assessment of the risks specific to the liability related to each wind power station, ranging from 1.39% to 7.05% to determine the non-current decommissioning liability.

The following table shows the changes in the liability during fiscal years:

	Note	2016	2015
Balance - beginning of year		32	25
Translation adjustment		(2)	2
New obligations		3	4
Accretion expense included in financing costs	20	1	1
Balance - end of year		34	32

Note 16. Capital Stock, Contributed Surplus and Dividends

Boralex's capital stock is composed of an unlimited number of Class A common shares and an unlimited number of preferred shares, none of which had been issued as at December 31, 2016. The Class A shares have no par value and confer on each shareholder the right to vote at any meeting of shareholders, receive any dividends declared by the Corporation thereon and share in the residual property upon dissolution of the Corporation. The preferred shares have no par value and were created to provide the Corporation with additional flexibility with respect to future financing, strategic acquisitions and other transactions. The preferred shares are issuable in series with the number of shares in each series to be determined by the Board of Directors prior to issuance.

The Corporation's contributed surplus is equal to the cumulative value of unexercised stock options granted to senior management.

The following changes occurred in the Corporation's capital stock between December 31, 2015 and 2016:

	Note	Capital stock	
		Number of shares	Amount
Balance as at January 1, 2015		38,424,430	228
Issuance of shares on debenture conversions	13	16,885,754	197
Redemption of debentures	13	—	11
Issuance of shares	a)	9,505,000	120
Exercise of options	17	13,928	—
Balance as at December 31, 2015		64,829,112	556
Subscription receipt issuance costs	29	—	(3)
Exercise of options	17	536,799	4
Balance as at December 31, 2016		65,365,911	557

- (a) On January 12, 2015, Boralex announced the closing of the offering via an underwriting agreement of Class A common shares of Boralex for gross proceeds of \$110 million. The offering was carried out by a syndicate of underwriters who purchased an aggregate of 8,430,000 common shares of the Corporation at a price of \$13.05 per share. The common shares were offered under a simplified prospectus dated January 5, 2015 in all Canadian provinces. The offering proceeds were used to fully repay the \$100 million bridge financing facility.

On January 30, 2015, Boralex announced that the over-allotment option in the aforementioned public offering had been 85% exercised. The syndicate of underwriters purchased 1,075,000 additional shares at a price of \$13.05 per share for gross proceeds of \$14 million for Boralex.

These capital increases generated gross proceeds of \$124 million and net proceeds of \$120 million (net of issuance costs and related taxes).

Dividends

On February 24, 2016, the Board of Directors authorized a 7.7% increase in the annual dividend from \$0.52 to \$0.56 per common share (from \$0.13 to \$0.14 on a quarterly basis) starting in the second quarter of 2016.

During fiscal 2016, the Corporation authorized and declared dividends of \$0.55 per Class A common share. Boralex expects to pay common share dividends on an annual basis representing, in the medium term, a ratio of 40% to 60% of its discretionary cash flows (defined as its cash flows from operations, less capital investments required to maintain its production capacity and project-related non-current debt repayments, as well as distributions paid to non-controlling shareholders and discretionary development expenses). Boralex reserves the right to adjust this calculation for any special items unrelated to current operations to ensure comparable ratios between periods. On March 15, June 15, September 16 and December 15, 2016, the Corporation paid dividends totalling \$36 million (\$27 million in 2015).

On December 8, 2016, the Board of Directors authorized a 7.1% increase in the annual dividend from \$0.56 to \$0.60 per common share following the closing of the acquisition by the Corporation of Enercon's interest in the 230 MW wind farm in the Niagara region, which took place in January 2017. A dividend of \$0.15 per common share was declared on February 1, 2017 and will be paid on March 15, 2017 for holders of record at the close of business on February 28, 2017.

Note 17. Stock-Based Compensation

The Corporation has a stock option plan for the benefit of directors, senior management and certain key employees under which 3,500,000 Class A shares have been reserved for issuance. The exercise price equals the market value on the day preceding the option grant date. Options vest at the rate of 25% per year beginning the year after they are granted and the options granted before May 2012 cannot be exercised if the market value of the share is lower than its carrying amount on the grant date. All the options have a ten-year term. This plan has been determined to be settled using equity securities.

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

	2016		2015	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding - beginning of year	1,636,879	10.12	1,566,871	9.91
Granted	88,666	16.65	103,717	13.87
Exercised	(536,799)	8.20	(13,928)	7.70
Cancelled	(5,863)	12.04	(19,781)	14.36
Outstanding - end of year	1,182,883	11.48	1,636,879	10.12
Options exercisable - end of year	932,554	10.75	1,322,671	9.75

The following options were outstanding as at December 31, 2016:

	Options outstanding		Options exercisable		
	Number of options	Exercise price	Number of options	Exercise price	Year of expiry
Granted in					
2006 ⁽¹⁾	35,484	9.30	35,484	9.30	2017
2007	128,451	13.30	128,451	13.30	2017
2008	120,409	17.29	120,409	17.29	2018
2009	115,725	7.14	115,725	7.14	2019
2010	111,361	9.20	111,361	9.20	2020
2011	124,394	8.50	124,394	8.50	2021
2012	123,239	7.96	123,239	7.96	2022
2013	126,151	10.29	94,394	10.29	2023
2014	107,407	12.90	53,701	12.90	2024
2015	101,596	13.87	25,396	13.87	2025
2016	88,666	16.65	—	—	2026
	1,182,883	11.48	932,554	10.75	

⁽¹⁾ As September 3, 2016 fell during a trading blackout period imposed by the Corporation, the expiry date of the options granted was automatically extended, in accordance with the terms and conditions of the Corporation's stock option plan, to the 10th business day following the first day in the blackout period. They are now set to mature on March 17, 2017.

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

	2016	2015
Share price on grant date	16.88	13.91
Exercise price	16.65	13.87
Expected annual dividend rate	3.68%	4.52%
Term	10 years	10 years
Expected volatility	21.43%	17.98%
Risk-free interest rate	1.53%	2.21%
Weighted average fair value per option	3.19	2.09

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

The Corporation applies the fair value method of accounting for options granted to officers and employees. These amounts are recorded under *Administrative* and *Contributed surplus*.

Note 18. Non-controlling Shareholders

Distributions Paid

Côte-de-Beaupré Wind Farm

As at December 31, 2016, our partner Côte-de-Beaupré RCM, which holds a 49% interest in the wind farm, received a cash distribution of \$2 million from the Corporation.

Frampton Wind Farm

As at December 31, 2016, the Frampton municipality, which holds a 33% interest in the wind farm, received a distribution of \$2 million from the Corporation (\$4 million in 2015).

Témiscouata I Wind Farm

As at December 31, 2016, our partner Témiscouata RCM, which holds a 49% interest in the wind farm, received a distribution of \$3 million from the Corporation (\$4 million in 2015).

Net Contribution

As at December 31, 2016, the Corporation had received contributions in the amount of \$7 million, primarily in assets, from our partner Alberta Wind Energy Corporation, which holds a 48% interest in Alberta Renewable Power Limited Partnership.

As at December 31, 2015, the Corporation had received cash contributions in the amount of \$7 million from our partners, comprising \$3 million from Côte-de-Beaupré RCM and \$4 million from the Municipality of Frampton.

Repurchase of Non-controlling Shareholders

On February 27, 2015, the Corporation announced the closing of a financial settlement whereby Cube agreed to exchange its entire 25% equity interest in Boralex Europe for term loans as described in note 12. The \$52 million excess of proceeds on the repurchase of non-controlling shareholders was recorded in *Retained earnings*.

Note 19. Expenses by Nature

Operating and Administrative

	2016	2015
Raw material and consumables	14	15
Maintenance and repairs	25	22
Employee benefits	25	23
Rental expenses, taxes and permits	24	21
Other operating expenses	9	7
Professional fees	4	5
Other administrative expenses	4	4
	105	97

Employee Benefits

	2016	2015
Current salaries and benefits	23	21
Other post-employment benefits	2	2
	25	23

Note 20. Financing Costs

	Note	2016	2015
Interest on non-current debt, net of the impact of interest rate swaps		59	52
Interest on convertible debentures		7	18
Interest and other interest income		—	(1)
Amortization of borrowing costs	12	5	4
Accretion expense	15	1	1
Other interest and banking fees	a)	7	2
		79	76
Interest capitalized to qualifying assets	b)	(3)	(3)
		76	73

- (a) *Other interest and banking fees* consist of financing costs on short-term borrowings. A \$4 million expense was recorded in France following the annulment of the 2008 decree setting out the conditions for purchasing electricity produced by facilities using mechanical energy generated by wind. Boralex had to pay interest on amounts considered as state aid that it otherwise would have had to borrow on the markets.
- (b) The weighted average rate for the capitalization of borrowing costs to qualifying assets was 4.22% per annum (4.59% per annum in 2015).

Note 21. Net Earnings (Loss) per Share

Net Earnings (Loss) per Share (Basic and Diluted)

(in millions of dollars, except per share amounts and number of shares)

	2016	2015
Net loss attributable to shareholders of Boralex	(2)	(11)
Weighted average number of shares	65,199,024	52,364,710
Net loss per share (basic and diluted) attributable to shareholders of Boralex	(\$0.03)	(\$0.21)

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

	2016	2015
Convertible debentures excluded due to their anti-dilutive effect	7,334,183	7,334,183
Stock options excluded due to their anti-dilutive effect	1,182,883	1,636,879

Note 22. Change in Non-cash Items Related to Operating Activities

	2016	2015
Decrease (Increase) in:		
Trade and other receivables	7	(6)
Other current assets	(3)	—
Increase (Decrease) in:		
Trade and other payables	16	(8)
	20	(14)

Note 23. Financial Instruments

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

	As at December 31, 2016		As at December 31, 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
OTHER LIABILITIES				
Subscription receipts	173	197	—	—
Non-current debt	1,540	1,632	1,421	1,502
Convertible debentures (including equity portion)	139	164	137	146

The fair value of the derivative financial instruments designated as cash flow hedges and hedge of a net investment is as follows:

	As at December 31, 2016	As at December 31, 2015
OTHER CURRENT FINANCIAL ASSETS		
Foreign exchange forward contracts	1	1
OTHER NON-CURRENT FINANCIAL ASSETS		
Foreign exchange forward contracts	2	—
OTHER CURRENT FINANCIAL LIABILITIES		
Financial swaps - interest rates	47	41
OTHER NON-CURRENT FINANCIAL LIABILITIES		
Foreign exchange forward contracts	2	4
Financial swaps - interest rates	29	33
	31	37

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

The fair values of cash and cash equivalents, restricted cash, trade and other receivables, reserve funds, and trade and other payables approximate their carrying amounts due to their short-term maturities.

The fair value of non-current debt is essentially based on the calculation of discounted cash flows. Discount rates, ranging from 0.86% to 5.49%, were determined based on local government bond yields adjusted for the risks specific to each of the borrowings and for credit market liquidity conditions. The convertible debentures are traded on the stock exchange, and their values are based on the prices as at December 31, 2016.

Financial Swaps - Interest Rates

Cash flows are discounted using a curve that reflects the credit risk of the Corporation or the counterparty, as applicable. The following table summarizes the Corporation's commitments under financial swaps - interest rates as at December 31, 2016:

As at December 31, 2016						
	Currency	Fixed-rate payer	Floating-rate receiver	Maturity	Current notional (in CAD)	Fair value (in CAD)
Financial swaps - interest rates	EUR	0.38%–5.16%	6-month EURIBOR	2017-2033	375	(25)
Financial swaps - interest rates	CAD	2.38%–7.80%	3-month CDOR	2034-2039	230	(51)

Some financial swaps - interest rates denominated in Canadian dollars contain an early termination clause that is mandatory in 2017. As a result, they are presented as current financial liabilities.

Foreign Exchange Forward Contracts

The fair values of foreign exchange forward contracts are determined using a generally accepted technique, namely the discounted value of the difference between the value of the contract at expiry calculated using the contracted exchange rate and the value determined using the exchange rate the financial institution would use if it renegotiated the same contract under the same conditions as at the statement of financial position date. Discount rates are adjusted for the credit risk of the Corporation or of the counterparty, as applicable. When determining credit risk adjustments, the Corporation considers offsetting agreements, if any.

Note 23. Financial Instruments (cont'd)

As at December 31,

2016

	Exchange rate	Maturity	Current notional (in CAD)	Fair value (in CAD)
Foreign exchange forward contracts (EUR for CAD)	1.5475	2017-2025	134	1

Hierarchy of Financial Assets and Liabilities Measured at Fair Value

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Financial instruments measured at fair value in the financial statements are classified according to the following hierarchy of levels:

- Level 1: Consists of measurements based on quoted prices (unadjusted) in markets for identical assets or liabilities;
- Level 2: Consists of measurement techniques based mainly on inputs, other than quoted prices, that are observable either directly or indirectly in the market;
- Level 3: Consists of measurement techniques that are not based mainly on observable market data.

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety shall be determined on the basis of the lowest level input that is significant to the financial instrument fair value measurement in its entirety.

The Corporation classified the convertible debentures and subscription receipts as Level 1, as their fair values are determined using quoted market prices.

For non-current debt, financial swaps - interest rates, and foreign exchange forward contracts, the Corporation classified the fair value measurements as Level 2, as they are based mainly on observable market data, namely government bond yields, interest rates and exchange rates.

The following table classifies the Corporation's financial instruments by level in the fair value hierarchy:

	Fair value hierarchy levels			
	As at December 31, 2016	Level 1	Level 2	Level 3
DERIVATIVE FINANCIAL ASSETS				
Foreign exchange forward contracts	3	—	3	—
OTHER FINANCIAL LIABILITIES				
Subscription receipts	197	197	—	—
Non-current debt	1,632	—	1,632	—
Convertible debentures	164	164	—	—
	1,993	361	1,632	—
DERIVATIVE FINANCIAL LIABILITIES				
Foreign exchange forward contracts	2	—	2	—
Financial swaps - interest rates	76	—	76	—
	78	—	78	—
	Fair value hierarchy levels			
	As at December 31, 2015	Level 1	Level 2	Level 3
DERIVATIVE FINANCIAL ASSETS				
Foreign exchange forward contracts	1	—	1	—
OTHER FINANCIAL LIABILITIES				
Non-current debt	1,502	—	1,502	—
Convertible debentures	146	146	—	—
	1,648	146	1,502	—
DERIVATIVE FINANCIAL LIABILITIES				
Foreign exchange forward contracts	4	—	4	—
Financial swaps - interest rates	74	—	74	—
	78	—	78	—

Note 24. Financial Risks

The Corporation is exposed in the normal course of business to various financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk.

Market Risk

Foreign Exchange Risk

The Corporation generates foreign currency liquidity through the operation of its power stations in France and the United States. First, the Corporation reduces its risk exposure naturally, as revenues, expenses and financing are in the local currency. Accordingly, foreign exchange risk arises 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 will be made based on the growth in cash to be generated in France.

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 eliminate volatility in expected expenditures and, in turn, stabilize significant costs such as turbines.

On December 31, 2016, a \$0.05 fall in the Canadian dollar against the U.S. dollar, assuming that all other variables had remained the same, would have resulted in a \$0.2 million (\$0.3 million in 2015) decrease in the Corporation's net loss for the year ended December 31, 2016, whereas *Accumulated other comprehensive loss* would have decreased by an after-tax amount of \$4.2 million (\$3.6 million in 2015).

On December 31, 2016, a \$0.05 fall in the Canadian dollar against the euro, assuming that all other variables had remained the same, would have resulted in a \$0.1 million increase (\$0.1 million decrease in 2015) in the Corporation's net loss for the year ended December 31, 2016, whereas *Accumulated other comprehensive loss* would have decreased by an after-tax amount of \$3 million (\$1.9 million in 2015).

Price Risk

As at December 31, 2016, our power stations in France and Canada, as well as those in Hudson Falls and South Glens Falls, had long-term energy sales contracts, the vast majority of which are subject to partial or full indexation clauses tied to inflation. Approximately 1% of the Corporation's power production is sold at market prices or under short-term contracts in the Northeastern United States 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 from other sources of power. As a result, prices may fall too low for the power stations to yield an operating profit.

On December 31, 2016, a 5% fall in the price of energy, assuming that all other variables had remained the same, would have resulted in a \$0.1 million (\$0.1 million in 2015) decrease in the Corporation's net loss for the year ended December 31, 2016, whereas *Accumulated other comprehensive loss* would have remained unchanged (nil in 2015).

Interest Rate Risk

Europe

In Europe, the vast majority of non-current debt bears interest at variable rates. To mitigate interest rate risk, the Corporation has entered into interest rate swaps to fix the interest rate on 75%-100% of the corresponding variable rate debt. These agreements involve the periodic exchange of interest payments without any exchange of the notional amount on which payments are calculated. Under these agreements, the Corporation receives a variable amount based on EURIBOR and pays fixed amounts at rates ranging from 0.38% to 5.16%. Since the credit is drawn gradually and the loans are periodically repaid when sites are commissioned, the swaps have been structured to mirror the terms of the underlying credit arrangements and to always cover a significant portion of the arrangements.

Canada

In Canada, most of the non-current debt have fixed interest rates, with the exception of the borrowings for the Côte-de-Beaupré and Frampton wind farms. To mitigate the interest rate risk of these borrowings, the Corporation has entered into interest rate swaps to set a fixed interest rate expense for about 90% of the debt with variable interest rates. These agreements involve the periodic exchange of interest payments without any exchange of the notional amount on which payments are calculated. Under these agreements, the Corporation receives a variable amount based on the CDOR and pays fixed amounts based on rates ranging from 2.38% to 2.45%. Since the credit is drawn gradually and the loans are periodically repaid when sites are commissioned, the swaps have been structured to mirror the terms of the underlying credit arrangements and to always cover a significant portion of the arrangements.

Note 24. Financial Risks (cont'd)

In addition, three other development projects that the Corporation intends to build, finance and commission in the coming years are also sources of interest rate risk exposure. For these projects, the Corporation holds interest rate swaps that have been designated as hedges of variable interest cash flows associated with anticipated financing programs with a notional amount of \$115.7 million.

As at December 31, 2016, all these financial instruments were subject to hedge accounting.

Total

These instruments have allowed the Corporation to reduce the percentage of variable rate debt from 42% to 8%. As at December 31, 2016, the notional balance of these swaps stood at \$605 million (€265 million and \$230 million) (\$589 million (€250 million and \$212 million in 2015), while their unfavourable fair value was \$76 million (€17 million and \$51 million) (\$74 million (€19 million and \$46 million in 2015). These swaps mature from 2017 to 2035 and are all subject to cash flow hedge accounting. Accordingly, unrealized gains and losses resulting from changes in fair value of the effective portion of these contracts are included in *Accumulated other comprehensive loss* until the corresponding hedged item is recognized in earnings (loss). They are then recognized in earnings (loss) as an adjustment to *Financing costs*. As at December 31, 2016, the Corporation expects to reclassify, over the next 12 months, a pre-tax expense of approximately \$12 million from *Accumulated other comprehensive loss* to earnings (loss) (\$11 million as at December 31, 2015).

On December 31, 2016, a 0.25% rise in the variable interest rates, assuming that all other variables had remained the same, would have resulted in a \$0.2 million (\$0.2 million in 2015) decrease in the Corporation's net loss for the year ended December 31, 2016, whereas *Accumulated other comprehensive loss* would have increased by an after-tax amount of \$7.5 million (\$7.9 million in 2015).

Credit Risk

Credit risk stems primarily from the potential inability of clients to meet their obligations. Given the nature of the Corporation's business, its clients are few in number. However, they generally have high credit ratings. The electricity markets that the Corporation serves in Canada and France are limited to monopolies. Steam generated in France is used in the paper making process. Accordingly, the Corporation's client is in the private sector, which makes for a higher credit risk. The U.S. market is more deregulated, and the Corporation transacts some business through the New York State regional producers' association, NYISO, which enjoys a very high credit rating. In the U.S. market, the Corporation can also negotiate private agreements directly with electricity distributors, usually large corporations which typically have investment grade credit ratings. The Corporation regularly monitors the financial condition of these clients.

The Corporation's counterparties for derivative financial instruments, as well as cash and cash equivalents and restricted cash, consist mainly of large corporations. Before entering into a derivative transaction, the Corporation analyzes the counterparty's credit rating and assesses the overall risk based on the counterparty's weighting in the Corporation's portfolio.

Where these analyses produce unfavourable results because the partner's credit rating has changed significantly or its portfolio weighting has become too high, the Corporation does not pursue the transaction. Furthermore, if a company does not have a public credit rating, the Corporation assesses the risk and may require financial guarantees.

Liquidity Risk

Liquidity risk is the risk that the Corporation will experience difficulty meeting its obligations as they fall due. The Corporation has a Treasury Department in charge, among other things, of ensuring sound management of available cash resources, of securing financing and meeting maturity obligations for all of the Corporation's activities. With senior management oversight, the Treasury Department manages the Corporation's cash resources based on financial forecasts and expected cash flows.

Note 24. Financial Risks (cont'd)

The contractual maturities of the Corporation's non-derivative financial liabilities as at December 31, 2016 and 2015 are detailed in the following tables:

As at December 31, 2016	Undiscounted cash flows (principal and interest)					Total
	Carrying amount	Current portion	From 1 to 2 years	From 2 to 5 years	Over 5 years	
Non-derivative financial liabilities:						
Trade and other payables	131	131	—	—	—	131
Non-current debt	1,540	150	206	557	1,159	2,072
Convertible debentures	135	6	6	10	—	22
Derivative financial instruments:						
Financial swaps - interest rates	76	12	10	27	41	90
Foreign exchange forward contracts	2	—	—	—	2	2
	1,884	299	222	594	1,202	2,317

As at December 31, 2015	Undiscounted cash flows (principal and interest)					Total
	Carrying amount	Current portion	From 1 to 2 years	From 2 to 5 years	Over 5 years	
Non-derivative financial liabilities:						
Trade and other payables	92	92	—	—	—	92
Non-current debt	1,421	206	146	511	1,107	1,970
Convertible debentures	137	6	7	16	—	29
Derivative financial instruments:						
Financial swaps - interest rates	74	11	12	29	36	88
Foreign exchange forward contracts	4	—	—	1	5	6
	1,728	315	165	557	1,148	2,185

Undiscounted cash flows of non-derivative financial liabilities are determined using expected principal repayments and interest payments and a conversion of convertible debentures in July 2019. Undiscounted cash flows of derivatives are determined using the values of underlying indices at the reporting date. Since these indices are highly volatile, the undiscounted cash flows presented could vary significantly until realized.

Note 25. Capital Management

The Corporation's objectives when managing capital are as follows:

- Safeguard the Corporation's ability to pursue its operations and development;
- Maintain financial flexibility to enable the Corporation to seize opportunities when they arise;
- Safeguard the Corporation's financial flexibility with a view to offsetting the seasonal nature of its operations primarily for the cyclical variations in hydroelectric and wind power generation;
- Maximize the terms of borrowings in line with the useful lives of its assets or underlying contracts;
- Ensure continuous access to capital markets; and
- Diversify the project risks in its portfolio through project-specific financing arrangements without recourse to the other assets of the parent company and to maximize its financial leverage in light of the significant capital requirements for project completion in the energy sector.

The Corporation manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain its capital structure, the Corporation prioritizes the use of less costly financing sources, such as cash flows from operations, borrowings, hybrid instruments such as convertible debentures, equity issuance and, as a last resort, the sale of assets. In managing liquidity, the Corporation's policy is to earmark in priority its available cash resources for (i) growth projects and (ii) the payment of a quarterly dividend. Generally, Boralex expects to pay common share dividends on an annual basis representing a ratio of 40% to 60% of its discretionary cash flows (defined as its cash flows from operations less capital investments required to maintain its production capacity and project-related non-current debt repayments, as well as distributions paid to non-controlling shareholders and discretionary development expenses). Boralex reserves the right to adjust this calculation for any special items unrelated to current operations to ensure comparable ratios between periods.

The Corporation's investment policy governing cash resources is limited to investments with maturities of less than one year that are guaranteed by financial institutions. For instance, bankers' acceptances guaranteed by a Canadian chartered bank meet these criteria. The Corporation deems its current financing sources to be sufficient to support its plans and its operating activities.

The Corporation monitors its capital on a quarterly and annual basis based on various financial ratios and non-financial performance indicators. It is also required to meet certain ratios under its non-current financial commitments.

More specifically, the Corporation must meet ratios pertaining to debt coverage, debt service and interest coverage in relation to the measures specified in the respective credit agreements.

As at December 31, 2016 and 2015, the Corporation was in compliance with its required ratio commitments. The Corporation is not subject to any regulatory capital requirements.

The Corporation's capital management objectives have remained unchanged from the previous year. The Corporation relies mainly on the net debt ratio for capital management purposes. Cash and cash equivalents available are also a key factor in capital management, as the Corporation must retain sufficient flexibility to seize potential growth opportunities. To achieve this objective, the Corporation establishes long-term financial forecasts to determine future financing requirements in line with its strategic business development plans.

For calculation purposes, net debt is defined as follows:

	As at December 31, 2016	As at December 31, 2015
Non-current debt	1,439	1,276
Current portion of debt	101	145
Borrowing costs, net of accumulated amortization	25	24
Less:		
Cash and cash equivalents	100	100
Restricted cash ⁽¹⁾	23	3
Net debt	1,442	1,342

⁽¹⁾ Excluding restricted cash of \$170 million related to subscription receipt issuance.

Note 25. Capital Management (cont'd)

The Corporation defines total market capitalization as follows:

	As at December 31, 2016	As at December 31, 2015
(in millions of dollars, except for the number of outstanding shares and share market price)		
Number of outstanding shares (in thousands)	65,366	64,829
Share market price (in \$ per share)	19.15	14.46
Market value of equity attributable to shareholders	1,252	937
Non-controlling shareholders	18	14
Net debt	1,442	1,342
Convertible debentures (nominal value)	144	144
Total market capitalization	2,856	2,437

The Corporation computes the net debt to market capitalization ratio as follows:

	As at December 31, 2016	As at December 31, 2015
(in millions of dollars)		
Net debt	1,442	1,342
Total market capitalization	2,856	2,437
NET DEBT RATIO (market capitalization)	50%	55%
NET DEBT RATIO (market capitalization, excluding non-current debt drawn for projects under construction) ⁽¹⁾	49%	55%

⁽¹⁾ Given the significant growth in recent years with the addition of long-term contracted capacity and fixed-rate debt, the portion of non-current debt drawn for projects under development was excluded.

At present, the net debt to capitalization ratio stands at 50% and the Corporation wishes to maintain this ratio below 65%. It is important to specify that the Corporation uses a project-based financing approach whereby each project leverage is maximized up to nearly 80% of amounts invested. However, those financing arrangements are generally repayable over the life of the contract. Consequently, as other projects or large projects are added, the debt level could increase above this limit but the Corporation would ensure to reduce the ratio below the limit within a reasonable time frame.

Note 26. Commitments and Contingencies

In addition to the commitments of the Joint Ventures (discussed in note 9), the Corporation entered into the following transactions:

	Payments			Total
	Current portion	From 1 to 5 years	Over 5 years	
Contingent consideration	49	24	—	73
Subscription receipt issuance (note 29)	4	—	—	4
Purchase and construction contracts	223	—	—	223
Maintenance contracts	12	44	23	79
Operating land lease contracts	7	21	47	75
	295	89	70	454

Contingent Consideration

Upon completion of certain phases in the development of projects acquired from the company Ecotera, Boralex is required to pay to the seller a maximum amount of €51 million (\$73 million).

Energy Sales Contracts - Power Stations in Operation

Canada

For the Canadian power stations, the Corporation is committed to selling 100% of its power output (subject to certain minimum criteria) under long-term contracts maturing between 2017 and 2054. These contracts provide for annual indexation based on the Consumer Price Index ("CPI"). However, under long-term contracts for the Québec hydroelectric power stations (except for the Forces Motrices St-François power station, whose price is indexed at an annual fixed rate, and the Beauport and Forestville power stations whose prices are indexed to the CPI), the indexation rate should not be lower than 3% or higher than 6%.

France

For the wind power stations, thermal power station and solar power facilities in France, the Corporation is committed to selling 100% of its power output under long-term contracts maturing from 2017 to 2035. The contracts provide for annual indexation based on changes in hourly labour costs and industry activity levels.

United States

In the United States, under a long-term contract expiring in 2029, the Corporation is committed to selling 100% of the power output of its **Middle Falls** hydroelectric power station. A price equal to 90% of the market price is stipulated in the contract.

For the **South Glens Falls** and **Hudson Falls** hydroelectric power stations in the United States, the Corporation is committed to sell the electricity it generates under long-term contracts expiring in 2034 and 2035. These contracts provide for contract payment rates for most of the electricity it generates. The price structure is as follows:

	South Glens Falls US\$/MWh	Hudson Falls US\$/MWh
January 2017 - November 2017	86.65	80.58
December 2017 - November 2024	86.65	48.27
December 2024 - November 2025	121.79 or market ⁽¹⁾	48.27
December 2025 and thereafter	121.79 or market ⁽¹⁾	56.28 or market ⁽¹⁾

⁽¹⁾ The client has the option of replacing the contract price with the market price until the contract terminates in 2025 for the South Glens Falls facility and in 2026 for the Hudson Falls facility.

Energy Sales Contracts - Projects under Development

Canada

- The **Yellow Falls** hydroelectric power station is covered by an initial 20-year energy sales contract with four renewal options, each for a five-year period, at the Corporation's discretion. The contract will begin when the power station is commissioned and will be indexed annually.
- The **Moose Lake** wind power project is covered by an initial 40-year energy sales contract. The contract will begin when the power station is commissioned and will be indexed annually.

France

The **Voie des Monts**, **Mont de Bagny**, **Artois**, **Chemin de Grès**, **Le Pelon** and **Moulins du Lohan** wind power projects should be covered by 15-year energy sales contracts. These contracts will begin when the wind farms are commissioned, and the selling price will be indexed annually.

Purchase and Construction Contracts - Projects under Development

Canada

The Corporation has entered into turbine purchase and construction contracts for the **Moose Lake** hydroelectric power project.

France

- (a) The Corporation has entered into a number of turbine purchase and construction contracts as well as a connection agreement for the **Voie des Monts, Mont de Bagny** and **Artois** wind power project.
- (b) The Corporation has entered into a number of construction contracts for the **Chemin de Grès** wind power project.
- (c) The Corporation has entered into a number of turbine purchase and construction contracts for the **Moulins du Lohan** wind power project.

Maintenance Contracts

Canada

- (a) The Corporation has entered into 12-year wind turbine maintenance contracts expiring in 2022 for the **Thames River** wind farms. Those contracts include a cancellation option at the Corporation's discretion, exercisable after the fifth year.
- (b) The Corporation has entered into 15-year wind turbine maintenance contracts expiring in 2029 and 2030, respectively, for the **Témiscouata I** and **Côte-de-Beaupré** wind farms. Those contracts include a cancellation option at the Corporation's discretion, and exercisable after the fifth year.
- (c) The Corporation has entered into 15-year wind turbine maintenance contracts expiring in 2030, respectively, for the **Témiscouata II** and **Frampton** wind farms. Those contracts include a cancellation option at the Corporation's discretion, and exercisable after the seventh year.

France

The Corporation has entered into wind turbine maintenance contracts for its power stations in operation in France. The contracts have initial terms of two to 18 years.

Operating Leases on Property

Canada

- (a) For the **Thames River, Témiscouata I, Témiscouata II, Côte-de-Beaupré** and **Frampton** wind farms, the Corporation leases land on which wind turbines are installed under 20-year lease agreements.
- (b) The Corporation leases the sites on which the six Canadian hydroelectric power stations are located, as well as the water rights over the hydraulic power required to operate them. Under the terms of these agreements, expiring from 2019 to 2022, the Corporation's lease payments are based on power generation levels.
- (c) For the **Frampton** wind farm, the Corporation leases land on which wind turbines are installed under 22-year lease agreements.
- (d) For the **Port Ryerse** wind farm, the Corporation leases land on which wind turbines are installed under 21-year lease agreements.

France

The land on which the French wind power stations and the solar power facilities are located is leased under emphyteutic leases over terms ranging from 25 to 99 years. Royalties under these leases are due annually and are indexed each year, based on the CPI and the Construction Cost Index published by the National Institute of Statistics and Economic Studies.

United States

- (a) For its **Middle Falls** power station, the Corporation leases the land on which the power station is located from the Niagara Mohawk Power Corporation ("NMPC") under a lease expiring in 2029. Lease payments are variable, totalling 30% of the power station's gross revenue.
- (b) The land on which the Corporation's U.S. **South Glens Falls** and **Hudson Falls** hydroelectric facilities are located is leased from NMPC. The leases expire at the same time as the energy sales contracts, namely in 2034 and 2035, respectively. Rental expense for non-contingent lease payments is recognized in earnings (loss) on a straight-line basis based on the average rental payment over the lease terms. Total minimum future lease payments for the South Glens Falls power station in New York State do not include contingent lease payments for years 26 through 40, inclusively, of the lease agreement given the uncertainty surrounding the amounts. Rental expense in those years is based on a percentage of gross revenues. In addition, the leases provide NMPC a right of first refusal to acquire the hydroelectric facilities at fair value at the end of the lease term. The leases also require the Corporation to convey title to the hydroelectric facilities if abandoned during the lease term and require NMPC to acquire, and the Corporation to sell, the hydroelectric facilities at the end of the lease term at the lower of fair value or US\$10 million (Hudson Falls power station) and US\$5 million (South Glens Falls power station).

Contingencies

Canada

Since January 2011, O'Leary Funds Management LP et al. has been suing the Corporation in the Superior Court of Québec. The suit alleges that the November 1, 2010 business combination between Boralex and Boralex Power Income Fund was illegal and, accordingly, demands payment of damages amounting to nearly \$7 million (the initial suit was for an amount of nearly \$14 million). The Corporation considers that this procedure has no basis in fact or in law and is defending itself vigorously. Therefore, the Corporation has not recorded any provision in respect of this litigation. In its defence, the Corporation has filed a counterclaim for over \$1 million.

Note 27. Related Party Transactions

Related parties include the Corporation's subsidiaries, Joint Ventures and main senior executives. Details of related party transactions are as follows:

	2016	2015
OTHER REVENUES		
R.S.P. Energy Inc. - an entity in which Richard and Patrick Lemaire, directors of the Corporation, are two of three shareholders	1	1
Joint Ventures Phases I and II	1	1
COSTS AND OTHER EXPENSES		
Operating		
Cascades Inc. - an entity having significant influence over the Corporation	1	1

These transactions were made on terms equivalent to those that prevail under normal terms in arm's length transactions.

Receivables and payables arising from the above transactions at the end of the fiscal year were as follows:

	As at December 31, 2016	As at December 31, 2015
RELATED PARTY RECEIVABLES		
Otter Creek Wind Farm Limited Partnership – associated company	2	1

Related party receivables and payables are due between 30 and 45 days following the sale or purchase. Receivables are unsecured and bear interest when past due. No allowance for doubtful accounts has been recognized in respect of receivables. Cascades receivables are related to charged back costs.

Executive Compensation

Compensation allocated to senior executives and to members of the Board of Directors is detailed in the following table:

	2016	2015
Current salaries and benefits	2	2
Other long-term benefits	2	2
	4	4

Note 28. Segmented Information

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

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

EBITDA(A) represents earnings before interest, taxes, depreciation and amortization, adjusted to include other items. EBITDA(A) does not have a standardized meaning under IFRS; accordingly, it may not be comparable to similarly named measures used by other companies. Investors should not view EBITDA(A) as an alternative measure to, for example, net earnings (loss), or as a measure of operating results, which are IFRS measures.

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

	2016	2015
Net earnings (loss)	2	(8)
Income tax recovery	(9)	(1)
Financing costs	76	73
Amortization	116	97
EBITDA	185	161
Adjustments:		
Loss on redemption of convertible debentures	—	3
Net loss on financial instruments	4	7
Foreign exchange gain	(1)	(2)
Other losses	1	—
EBITDA(A)	189	169

Information on Principal Clients

Revenues are allocated according to the client's country of domicile. In 2016, the Corporation had three clients accounting for 10% or more of its revenues (four clients in 2015).

The table below shows the respective percentage of consolidated revenues from each of these clients, as well as the segments in which they operate:

2016		2015	
% of sales attributable to one client	Segment(s)	% of sales attributable to one client	Segment(s)
46	Wind, thermal and solar	52	Wind, thermal and solar
27	Wind, hydroelectric and thermal	17	Wind, hydroelectric and thermal
10	Wind	11	Wind
		10	Hydroelectric

Information by Operating Segment

	2016	2015	2016	2015
	Power production (GWh)		Revenues from energy sales	
	(Unaudited)	(Unaudited)		
Wind power stations	1,624	1,396	212	178
Hydroelectric power stations	632	626	57	58
Thermal power stations	163	155	25	27
Solar power stations	22	9	5	3
	2,441	2,186	299	266
	EBITDA(A)		Additions to property, plant and equipment	
Wind power stations	176	149	182	292
Hydroelectric power stations	40	41	32	19
Thermal power stations	6	6	2	3
Solar power stations	4	3	1	15
Corporate and eliminations	(37)	(30)	6	1
	189	169	223	330
			As at December 31, 2016	As at December 31, 2015
Total assets				
Wind power stations			1,842	1,763
Hydroelectric power stations			538	479
Thermal power stations			39	42
Solar power stations			38	41
Corporate			245	124
			2,702	2,449
Total liabilities				
Wind power stations			1,382	1,383
Hydroelectric power stations			268	175
Thermal power stations			24	13
Solar power stations			28	33
Corporate			486	286
			2,188	1,890

Note 28. Segmented Information (cont'd)

Information by Geographic Segment

	2016	2015	2016	2015
	Power production (GWh)		Revenues from energy sales	
	(Unaudited)	(Unaudited)		
Canada	1,053	768	120	86
France	1,069	1,087	150	150
United States	319	331	29	30
	2,441	2,186	299	266
	EBITDA(A)		Additions to property, plant and equipment	
Canada	82	52	79	259
France	89	96	121	70
United States	19	21	2	1
Other ⁽¹⁾	(1)	—	21	—
	189	169	202	330
			As at December 31, 2016	As at December 31, 2015
Total assets				
Canada			1,245	1,063
France			1,242	1,178
United States			191	208
Other ⁽¹⁾			24	—
			2,702	2,449
Non-current assets, excluding <i>Interests in the Joint Ventures</i> and <i>Deferred income tax asset</i>				
Canada			935	886
France			1,138	1,089
United States			177	185
Other ⁽¹⁾			20	—
			2,270	2,160
Total liabilities				
Canada			1,070	835
France			997	906
United States			119	149
Other ⁽¹⁾			2	—
			2,188	1,890

⁽¹⁾ Scotland and Denmark

Note 29. Subsequent Events

Acquisition of the Interest in the Niagara Region Wind Farm and Closing of the Bought Deal Offering

On January 18, 2017, Boralex completed the acquisition of the total economic interest of Enercon Canada Inc. in the 230 MW wind farm in the Niagara region, for a cash consideration of \$232 million, subject to adjustments under the acquisition agreements and Boralex assuming debt totalling \$798 million, for a total enterprise value of over \$1 billion.

On December 18, 2016, the Corporation carried out a public offering of subscription receipts for gross proceeds of approximately \$173 million (\$170 million net of transaction costs), including the full exercise of the over-allotment option by the underwriters. The subscription receipts were exchangeable on a one-for-one basis for Class A common shares of Boralex upon closing of the transaction for no additional consideration or further action. The offering was carried out by a syndicate of underwriters who purchased an aggregate of 10,361,500 subscription receipts of the Corporation at a price of \$16.65 each. The 10,361,500 subscription receipts issued under this offering were automatically exchanged for Boralex common shares on a one-for-one basis on January 18, 2017.

Due to the limited period of time between the **NRWF** acquisition and the publication of the consolidated financial statements of the Corporation, certain items required for the disclosure of asset acquisitions have not been provided, particularly the preliminary purchase price allocation. The Corporation is currently assessing the fair value of assets acquired and liabilities assumed and will publish the preliminary purchase price allocation with fiscal 2017 first quarter results.

Refinancing of the Revolving Credit Facility

On January 18, 2017, after announcing its acquisition of Enercon's interest in **NRWF**, Boralex obtained an additional \$100 million increase in its revolving credit facility, resulting in an authorized amount of \$460 million. Coupled with the recent offering of \$173 million in subscription receipts, these financial transactions demonstrate Boralex's credibility in the capital markets. They afford Boralex significant financial flexibility, such as the ability to inject capital into new projects that meet its growth objectives, and help preserve the strength of its statement of financial position.

Port Ryerse

On February 7, 2017, following the December 9, 2016 commissioning of the **Port Ryerse** wind power project in Ontario, Canada with an installed capacity of 10 MW, Boralex Inc. acquired the remaining 25% of the partnership units of Port Ryerse Wind Farm Limited Partnership held by UDI Renewables Corporation. Boralex Inc. now holds all the partnership units of Port Ryerse Wind Farm Limited Partnership.

On February 22, 2017, the Corporation announced the closing of financing for the **Port Ryerse** wind power project in the amount of \$33 million. The long-term financing was provided by DZ Bank AG Deutsche Zentral-Genossenschaftsbank (New York branch) and comprises a \$2 million letter of credit facility and a \$31 million long-term tranche. This tranche will be amortized over a period of 18 years from the project commissioning date of December 9, 2016. To reduce its exposure to variable rates, interest rate swaps have been entered into, which will allow to fix the rate at 3.89% over 90% of the debt.

France - Chemin de Grès Wind Power Project

In February 2017, the Corporation entered into construction contracts for the **Chemin de Grès** wind power project. The Corporation's net commitment under these contracts amounts to €26 million (\$37 million).