

# 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 7, 2016

# 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, 2015 and 2014 and the 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, 2015 and 2014, and their financial performance and their cash flows for the years then ended in accordance with IFRS.

(s) PricewaterhouseCooper<sup>1</sup>

Montréal, Québec

March 9, 2016

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<sup>1</sup> CPA auditor, CA, public accountancy permit No. A126402

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# Consolidated Statements of Financial Position

(in thousands of Canadian dollars)			As at December 31, 2015	As at December 31, 2014
	Note			
<b>ASSETS</b>				
Cash and cash equivalents			99,641	75,394
Restricted cash			3,345	12,459
Trade and other receivables	6		85,350	59,339
Inventories	7		6,887	5,620
Other current financial assets	24		541	1,213
Prepaid expenses			4,794	5,358
<b>CURRENT ASSETS</b>			<b>200,558</b>	<b>159,383</b>
Property, plant and equipment	8		1,556,374	1,210,703
Intangible assets	9		423,622	333,917
Goodwill	9		127,007	94,873
Interests in the Joint Ventures	10		66,506	91,483
Deferred income tax asset	15		21,190	8,744
Other non-current financial assets	24		239	3,230
Other non-current assets	11		46,431	47,445
<b>NON-CURRENT ASSETS</b>			<b>2,241,369</b>	<b>1,790,395</b>
<b>TOTAL ASSETS</b>			<b>2,441,927</b>	<b>1,949,778</b>
<b>LIABILITIES</b>				
Trade and other payables	12		92,125	59,277
Current portion of debt	13		145,200	172,044
Current income tax liability			1,536	1,601
Other current financial liabilities	24		41,356	34,116
<b>CURRENT LIABILITIES</b>			<b>280,217</b>	<b>267,038</b>
Non-current debt	13		1,275,857	989,087
Convertible debentures	14		133,070	232,977
Deferred income tax liability	15		87,353	46,225
Decommissioning liability	16		31,812	25,486
Other non-current financial liabilities	24		36,716	33,622
Other non-current liabilities			44,205	19,024
<b>NON-CURRENT LIABILITIES</b>			<b>1,609,013</b>	<b>1,346,421</b>
<b>TOTAL LIABILITIES</b>			<b>1,889,230</b>	<b>1,613,459</b>
<b>EQUITY</b>				
Equity attributable to shareholders			544,659	303,191
Non-controlling shareholders			8,038	33,128
<b>TOTAL EQUITY</b>			<b>552,697</b>	<b>336,319</b>
<b>TOTAL LIABILITIES AND EQUITY</b>			<b>2,441,927</b>	<b>1,949,778</b>

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 7, 2016.

(s) Robert F. Hall

**Robert F. Hall**, Director

(s) Pierre Seccareccia

**Pierre Seccareccia**, Director

# Consolidated Statements of Loss

(in thousands of Canadian dollars, except per share amounts)		Note	2015	2014
<b>REVENUES</b>				
Revenues from energy sales			265,627	193,401
Other income			2,062	1,827
			267,689	195,228
<b>COSTS AND OTHER EXPENSES</b>				
Operating	20		78,347	64,296
Administrative	20		17,641	13,479
Development			10,277	10,319
Amortization			96,972	60,410
Other gains			(379)	(1,962)
			202,858	146,542
<b>OPERATING INCOME</b>				
			64,831	48,686
Financing costs	21		74,019	58,097
Foreign exchange loss (gain)			(2,374)	406
Net loss on financial instruments			7,467	8,187
Share in earnings of the Joint Ventures	10		7,615	3,426
Loss on redemption of convertible debentures	14		2,759	—
Other			283	17
<b>LOSS BEFORE INCOME TAXES</b>				
			(9,708)	(14,595)
Income tax recovery	15		(1,496)	(854)
<b>NET LOSS FROM CONTINUING OPERATIONS</b>				
			(8,212)	(13,741)
Net earnings from discontinued operations			—	2,652
<b>NET LOSS</b>				
			(8,212)	(11,089)
<b>NET EARNINGS (LOSS) ATTRIBUTABLE TO:</b>				
Shareholders of Boralex			(10,835)	(11,767)
Non-controlling shareholders			2,623	678
<b>NET LOSS</b>				
			(8,212)	(11,089)
<b>NET EARNINGS (LOSS) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX</b>				
Continuing operations			(10,835)	(14,419)
Discontinued operations			—	2,652
			(10,835)	(11,767)
<b>NET EARNINGS (LOSS) PER SHARE (BASIC AND DILUTED) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX</b>				
Continuing operations			(\$0.21)	(\$0.38)
Discontinued operations			—	\$0.07
	22		(\$0.21)	(\$0.31)

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

# Consolidated Statements of Comprehensive Income (Loss)

(in thousands of Canadian dollars)		2015	2014
<b>NET LOSS</b>		(8,212)	(11,089)
<b>Other comprehensive income (loss) to be subsequently reclassified to net loss when certain conditions are met</b>			
Translation adjustments:			
Unrealized foreign exchange gain (loss) on translation of financial statements of self-sustaining foreign operations		20,263	(2,613)
Hedge of net investment:			
Change in fair value		(6,234)	1,103
Income taxes		147	(147)
Cash flow hedges:			
Change in fair value		(6,202)	(32,680)
Hedging items realized and recognized in net loss		10,608	11,615
Income taxes		(1,584)	6,462
Cash flow hedges - Joint Ventures:			
Change in fair value		(11,321)	(23,394)
Hedging items realized and recognized in net loss		5,198	4,798
Income taxes		1,664	4,819
Total other comprehensive income (loss)		12,539	(30,037)
<b>COMPREHENSIVE INCOME (LOSS)</b>		<b>4,327</b>	<b>(41,126)</b>
<b>COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:</b>			
Shareholders of Boralex		2,840	(39,070)
Non-controlling shareholders		1,487	(2,056)
<b>COMPREHENSIVE INCOME (LOSS)</b>		<b>4,327</b>	<b>(41,126)</b>
<b>COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX</b>			
Continuing operations		2,840	(41,722)
Discontinued operations		—	2,652
		<b>2,840</b>	<b>(39,070)</b>

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

# Consolidated Statements of Changes in Equity

2015

(in thousands 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			
<b>BALANCE AS AT JANUARY 1, 2015</b>	228,257	14,379	8,266	108,907	(56,618)	303,191	33,128	336,319
Net earnings (loss)	—	—	—	(10,835)	—	(10,835)	2,623	(8,212)
Other comprehensive income (loss)	—	—	—	—	13,675	13,675	(1,136)	12,539
<b>COMPREHENSIVE INCOME (LOSS)</b>	—	—	—	(10,835)	13,675	2,840	1,487	4,327
Dividends (note 17)	—	—	—	(27,129)	—	(27,129)	—	(27,129)
Share issuances (note 17)	119,542	—	—	—	—	119,542	—	119,542
Issuance of 2015 convertible debentures (note 14)	—	3,940	—	—	—	3,940	—	3,940
Conversion and redemption of 2010 convertible debentures (note 14 and 17)	207,774	(14,379)	—	—	—	193,395	—	193,395
Exercise of options (note 17)	107	—	—	—	—	107	—	107
Stock option expense (note 18)	—	—	340	—	—	340	—	340
Excess of proceeds on repurchase of non-controlling shareholders (note 19)	—	—	—	(51,567)	—	(51,567)	(25,296)	(76,863)
Net contribution of non-controlling shareholders (note 19)	—	—	—	—	—	—	7,082	7,082
Distributions paid to non-controlling shareholders (note 19)	—	—	—	—	—	—	(8,363)	(8,363)
<b>BALANCE AS AT DECEMBER 31, 2015</b>	555,680	3,940	8,606	19,376	(42,943)	544,659	8,038	552,697

2014

(in thousands 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			
<b>BALANCE AS AT JANUARY 1, 2014</b>	223,079	14,379	7,730	140,575	(29,315)	356,448	29,686	386,134
Net earnings (loss)	—	—	—	(11,767)	—	(11,767)	678	(11,089)
Other comprehensive loss	—	—	—	—	(27,303)	(27,303)	(2,734)	(30,037)
<b>COMPREHENSIVE LOSS</b>	—	—	—	(11,767)	(27,303)	(39,070)	(2,056)	(41,126)
Dividends (notes 17 and 19)	—	—	—	(19,896)	—	(19,896)	(2,050)	(21,946)
Conversion of convertible debentures (note 14 and 17)	318	—	—	—	—	318	—	318
Exercise of options (note 17)	4,860	—	—	—	—	4,860	—	4,860
Stock option expense (note 18)	—	—	536	—	—	536	—	536
Excess of proceeds on repurchase of non-controlling shareholders	—	—	—	(5)	—	(5)	(2)	(7)
Contribution of non-controlling shareholders (note 19)	—	—	—	—	—	—	7,550	7,550
<b>BALANCE AS AT DECEMBER 31, 2014</b>	228,257	14,379	8,266	108,907	(56,618)	303,191	33,128	336,319

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

# Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)	Note	2015	2014
Net loss		(8,212)	(11,089)
Less: Net earnings from discontinued operations		—	2,652
Net loss from continuing operations		(8,212)	(13,741)
Distributions received from Joint Ventures	10	29,100	—
Financing costs		74,019	58,097
Interest paid		(64,511)	(53,298)
Income tax recovery		(1,496)	(854)
Income taxes paid		(1,501)	(2,940)
Non-cash items in loss:			
Net loss on financial instruments		7,467	8,187
Share in results of the Joint Ventures	10	(7,615)	(3,426)
Amortization		96,972	60,410
Loss on redemption of convertible debentures	14	2,759	—
Other		1,564	1,246
Change in non-cash items related to operating activities	23	(13,959)	(2,020)
<b>NET CASH FLOWS RELATED TO OPERATING ACTIVITIES</b>		<b>114,587</b>	<b>51,661</b>
Business acquisitions, net of cash acquired	5	(60,308)	(196,879)
Additions to property, plant and equipment	8	(329,555)	(167,686)
Change in restricted cash		7,248	7,277
Increase in interest in Joint Ventures	10	—	(13,253)
Increase in non-current assets		—	(1,350)
Change in reserve funds		(114)	(6,825)
Development projects		(4,357)	(6,881)
Proceeds from the disposal of assets held for sale	5	—	21,983
Other		(1,512)	(491)
<b>NET CASH FLOWS RELATED TO INVESTING ACTIVITIES</b>		<b>(388,598)</b>	<b>(364,105)</b>
Net increase in non-current debt		424,961	589,006
Repayments on current and non-current debt		(312,449)	(317,896)
Convertible debenture issuance proceeds, net of transaction costs	14	137,459	—
Convertible debentures redeemed	14	(47,107)	—
Contribution of non-controlling shareholders	19	7,082	5,235
Distributions paid to non-controlling shareholders	19	(8,363)	(2,050)
Dividends paid to shareholders of Boralex	17	(27,129)	(19,896)
Share issuance proceeds, net of transaction costs	17	118,118	—
Exercise of options	17	107	4,860
Other		(385)	(41)
<b>NET CASH FLOWS RELATED TO FINANCING ACTIVITIES</b>		<b>292,294</b>	<b>259,218</b>
Cash from discontinued operations		—	3,122
<b>TRANSLATION ADJUSTMENT ON CASH AND CASH EQUIVALENTS</b>		<b>5,964</b>	<b>556</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>		<b>24,247</b>	<b>(49,548)</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>		<b>75,394</b>	<b>124,942</b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>		<b>99,641</b>	<b>75,394</b>

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



# Notes to Consolidated Financial Statements

As at December 31, 2015

(Tabular amounts are in thousands 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, 2015, the Corporation had interests in 45 wind power stations, 15 hydroelectric power stations, two thermal power stations and two main solar power facilities representing an asset base with a total installed capacity of 1,264 megawatts ("MW") of which 1,094 MW are under its control. Boralex is also committed under power development projects, both independently and with partners, to add 121 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 Lemaire 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 and MWh contained in notes 1, 5, 25, 27 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, 2015 were as follows:

Name of subsidiary	Voting rights held	Location
Boralex Europe SARL	100 %	Luxembourg
Boralex Énergie Verte S.A.S. ("BEV")	100 %	France
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

#### 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 income (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.

The Corporation's main joint ventures as at December 31, 2015 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

#### Non-controlling Shareholders

The non-controlling shareholders represent the interest held by third parties in 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.

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.

### Note 3. Significant Accounting Policies (cont'd)

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 loss (gain)* in net loss.

#### Foreign Currency Transactions

Foreign currency transactions 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 loss (gain)* in net loss except for those relating to qualifying cash flow hedges, which are deferred under *Accumulated other comprehensive 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 and subsequently 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* and *Convertible debentures*.

##### (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, 2015, 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 net statement of loss under *Net 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 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 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 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 along with reserves to finance capital expenditures within a one-year period following each year-end.

## Inventories

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

## 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 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 water rights related to all the hydroelectric power stations except for Buckingham (as this asset has an indefinite useful life) 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.

## 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, consisting of deposit certificates, 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 finance 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 discount 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 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 Boralex management's best estimate as to the outcome based on known facts as at the reporting date.

### Litigation Provisions

Litigations are monitored regularly, case by case, 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.

### Note 3. Significant Accounting Policies (cont'd)

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

## Change in Accounting Policies

### IAS 16, *Property, plant and equipment*, and IAS 38, *Intangible assets*

In May 2014, the IASB amended IAS 16, *Property, Plant and Equipment*, and IAS 38, *Intangible Assets*, to provide clarification of the acceptable methods of amortization under those standards. The use of revenue-based amortization is prohibited for property, plant and equipment. However, the use of this method remains acceptable for intangible assets, but is significantly limited. The amended standards must be applied prospectively for fiscal years beginning on or after January 1, 2016, with earlier adoption permitted. The Corporation assessed their impact and early adopted the standards as of January 1, 2015. Energy sales contracts for the South Glens Falls and Hudson Falls hydroelectric power stations in the United States were amortized using a revenue-based method. To comply with the amended standards, the aforementioned contracts are amortized prospectively as of January 1, 2015 on a straight-line basis over their remaining terms, namely 20 and 21 years or until 2034 and 2035, respectively. The annual impact of this change for South Glens Falls is a decrease in amortization expense for the years 2015 to 2024 of \$290,000 (US\$250,000) and an increase in amortization expense from 2025 to 2034 of \$290,000 (US\$250,000). The annual impact of this change for Hudson Falls is a decrease in amortization expense for the years 2015 to 2025 of \$600,000 (US\$520,000) and an increase in amortization expense from 2026 to 2035 of \$660,000 (US\$570,000).

## Future Changes in Accounting Policies

### 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 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.



### Note 3. Significant Accounting Policies (cont'd)

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 10, *Consolidated Financial Statements* and IAS 28, *Investments in Associates and Joint Ventures*  
IFRS 10, *Consolidated Financial Statements* and IAS 28, *Investments in Associates and Joint Ventures* were revised to incorporate amendments published in September 2014. The amendments require recognizing in full gains and losses on a transaction involving assets that constitute a business between an investor and an associate or a joint venture. The amendments further require the partial recognition of gains and losses arising from a transaction involving assets that do not constitute a business between an investor and an associate or a joint venture. 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.

#### 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 companies 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. The Corporation is currently assessing the impact of adopting this standard on its financial statements.

#### 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, which will apply to fiscal years beginning on or after January 1, 2016, are not expected to have a significant impact on the consolidated financial statements of the Corporation.

## 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. 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 assessment of 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 24 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).

#### Note 4. Main Sources of Uncertainty (cont'd)

##### 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 acquisition occurs, 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 \$44,181,000 (€28,897,000). With this acquisition, Boralex gained access to a significant project pipeline, including 79 MW of ready-to-build projects that could be commissioned between 2017 and 2018.

This transaction gave rise to acquisition costs of \$929,000 (€623,000), 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 preliminary purchase price allocation:

	Preliminary allocation	
	(in thousands of \$)	(in thousands of €)
Cash	12	8
Trade and other receivables	943	617
Other current assets	38	25
Property, plant and equipment under construction	1,182	773
Development projects	4,340	2,838
Energy sales contracts	75,317	49,263
Goodwill	25,103	16,419
Current liabilities	(5,170)	(3,383)
Deferred income tax liabilities	(25,103)	(16,419)
<b>Net assets</b>	<b>76,662</b>	<b>50,141</b>
Less:		
Contingent consideration - current portion	16,271	10,642
Contingent consideration - non-current portion	16,210	10,602
<b>Net consideration paid for the acquisition</b>	<b>44,181</b>	<b>28,897</b>

*Trade and other receivables* acquired at the time of the transaction had a fair value of \$943,000 (€617,000), and the Corporation expects they will all be received during 2016. Goodwill represents the potential renewal of energy sales contracts. Goodwill will not be deductible for tax purposes.

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 \$32,481,000 (€21,244,000) at the time of the acquisition.

Furthermore, an additional maximum amount of \$97,093,000 (€64,604,000) could also be paid to the seller under the terms of the agreements for development projects. These will be accounted for at the time of future payments, if any.

The preliminary purchase price allocation was based on the fair value at the acquisition date. Following the final purchase price allocation, the *Development projects*, *Energy sales contracts*, *Goodwill*, *Contingent consideration - current portion*, *Contingent consideration - non-current portion* and *Deferred income tax liabilities* are the items likely to be adjusted.

Since the acquisition date, the acquired entity has not contributed to revenues from energy sales and has generated non-significant net income (loss) attributable to shareholders of Boralex as the projects are under construction and costs are mainly capitalized.

### Touvent Acquisition

On February 5, 2015, Boralex announced the closing of a transaction through which it acquired, through its subsidiary, Boralex Europe S.A., 100% of the shares of an entity owning a 13.8 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 \$5,031,000 (€3,546,000). 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.

Note 5. Business Combinations (cont'd)

The following table shows the final purchase price allocation:

	Preliminary allocation		Final allocation	
	(in thousands of \$)	(in thousands of €)	(in thousands of \$)	(in thousands of €)
Tax receivables	26	18	26	18
Property, plant and equipment	111	78	111	78
Development project	497	351	497	351
Energy sales contract	—	—	4,400	3,102
Goodwill	4,400	3,102	1,467	1,034
Deferred income tax liabilities	—	—	(1,467)	(1,034)
Current liabilities	(3)	(3)	(3)	(3)
<b>Total consideration paid for the acquisition</b>	<b>5,031</b>	<b>3,546</b>	<b>5,031</b>	<b>3,546</b>

The final purchase price allocation was determined using fair value 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 a non-significant net earnings (loss) attributable to shareholders of Boralex, as the project is under construction and the costs are mainly capitalized.

### 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 \$12,097,000 in cash. The payment was made in two instalments, \$11,097,000 in February 2015 and \$1,000,000 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 transaction gave rise to acquisition costs of \$226,000, which were expensed. 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
	(in thousands of \$)	(in thousands of \$)
Cash	4	4
Tax receivables	15	15
Property, plant and equipment under construction	592	592
Energy sales contract	—	11,493
Goodwill	11,493	2,036
Deferred income tax liabilities	—	(2,036)
Non-controlling shareholders	(3)	(3)
<b>Net assets</b>	<b>12,101</b>	<b>12,101</b>
Less:		
Cash at acquisition	4	4
<b>Total consideration paid for the acquisition</b>	<b>12,097</b>	<b>12,097</b>

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

For the fiscal year ended December 31, 2015, the acquired entity contributed \$560,000 to revenues from energy sales and generated non-significant net earnings (loss) attributable to shareholders of Boralex.

## Acquisition of Enel Green Power France S.A.S.

On December 18, 2014, Boralex Inc. acquired all of the issued and outstanding shares of Enel Green Power France S.A.S. from Enel Green Power International B.V., a wholly-owned subsidiary of Enel Green Power SpA, for a cash consideration of \$188,948,000 (€132,272,000). The company has been renamed Boralex Énergie Verte S.A.S. ("BEV"). BEV is an independent power producer headquartered in Lyon, France. As a result of the acquisition, Boralex expanded its portfolio with (i) 11 operational wind farms with an installed capacity totalling 186 MW, (ii) the 10 MW Cômes de l'Arce wind farm commissioned in 2015, and (iii) a considerable pipeline of projects, primarily wind power, at various stages of development.

The total cash consideration paid was financed through cash funds drawn from the revolving credit facility, whose authorized limit was increased by \$45,000,000 to \$175,000,000, and a \$100,000,000 bridge credit facility.

This transaction gave rise to acquisition costs of \$5,340,000, 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 3R, *Business Combinations*. The statement of financial position and the results of this acquired entity are consolidated as of December 18, 2014.

The following table shows the final purchase price allocation:

	Preliminary allocation		Final allocation	
	(in thousands of \$)	(in thousands of €)	(in thousands of \$)	(in thousands of €)
Cash	2,138	1,497	2,138	1,497
Trade and other receivables	7,047	4,934	7,236	5,066
Other current assets	1,426	998	1,426	998
Assets held for sale	21,983	15,389	21,983	15,389
Property, plant and equipment	310,232	217,177	305,550	213,899
Energy sales contracts	2,355	1,649	83,561	58,496
Goodwill	86,053	60,241	46,194	32,338
Deferred income tax assets	4,474	3,132	—	—
Other non-current assets	110	77	110	77
Current liabilities	(8,562)	(5,994)	(10,254)	(7,178)
Assumed non-current debt	(233,314)	(163,331)	(233,314)	(163,331)
Deferred income tax liabilities	—	—	(15,717)	(11,002)
Other non-current liabilities	(2,856)	(2,000)	(17,827)	(12,480)
<b>Net assets</b>	<b>191,086</b>	<b>133,769</b>	<b>191,086</b>	<b>133,769</b>
Less:				
Cash at acquisition	2,138	1,497	2,138	1,497
<b>Total consideration paid for the acquisition</b>	<b>188,948</b>	<b>132,272</b>	<b>188,948</b>	<b>132,272</b>

In December 2015, the Corporation finalized the purchase price allocation for the BEV acquisition that took place on December 18, 2014, and retroactively adjusted the preliminary allocation entry to December 18, 2014. This final purchase price allocation was determined using fair value at the acquisition date with the collaboration of independent professional valuers and translated using a weighted average rate. The average rate was calculated using the average exchange rate in effect on the date of acquisition and the exchange rate of the financial instrument entered into by the Corporation to hedge €126,000,000 of the acquisition. This determination of the purchase price is final.

*Trade and other receivables* acquired at the time of the transaction at a fair value of \$7,236,000 (€5,066,000), all of which was received by the Corporation during 2015. Goodwill represents the renewal potential of the energy sales contracts for the 11 operational wind farms, the 10 MW Cômes de l'Arce wind farm commissioned in 2015, the potential for completion of the pipeline of projects, and the expected synergies of consolidating these operations within Boralex. Goodwill will not be deductible for tax purposes.

Assets held for sale comprising a 10 MW wind farm were sold to a third party for \$21,983,000 (€15,389,000) on December 23, 2014.

## Calmont Acquisition

On July 30, 2014, Boralex announced the closing of a transaction through 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 "Calmont" wind power project) for a total cash consideration paid of €5,500,000. The payment was made in two instalments, consisting of \$4,840,000 (€3,315,000) in July and \$3,091,000 (€2,185,000) in September 2014. 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 wind power station was commissioned on December 6, 2015.

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 July 30, 2014.

The following table shows the final purchase price allocation:

	Preliminary allocation		Final allocation	
	(in thousands of \$)	(in thousands of €)	(in thousands of \$)	(in thousands of €)
Current assets	13	9	13	9
Property, plant and equipment	517	354	517	354
Energy sales contract	8,004	5,482	8,004	5,482
Current liabilities	(504)	(345)	(504)	(345)
<b>Net assets</b>	<b>8,030</b>	<b>5,500</b>	<b>8,030</b>	<b>5,500</b>

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

## Note 6. Trade and Other Receivables

	As at December 31, 2015	As at December 31, 2014
Trade receivables - net	41,306	32,209
Receivables from related parties (note 28)	1,395	1,328
Tax receivables	16,416	9,057
Payment receivable for property, plant and equipment (note 11(c))	15,219	6,157
Other receivables	11,014	10,588
	85,350	59,339

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. As at December 31, 2015, approximately 2% of trade and other receivables (9% as at December 31, 2014) were outstanding for more than 90 days since invoice date, while approximately 88% of accounts (70% as at December 31, 2014) were current (under 30 days).

## Note 7. Inventories

	As at December 31, 2015	As at December 31, 2014
Replacement parts	5,730	4,941
Wood residue	679	614
Other raw materials	478	65
	6,887	5,620

Inventory costs of \$3,503,000 (\$3,124,000 in 2014) were expensed in 2015 under *Operating* in the statement of loss.



## Note 8. Property, Plant and Equipment

	Wind power stations	Hydroelectric power stations	Thermal power stations	Solar power stations	Corporate	Total
<b>Year ended December 31, 2014</b>						
Balance - beginning of year	535,095	214,840	23,245	19,627	6,406	799,213
Translation adjustment	(20,575)	8,876	(448)	(777)	6	(12,918)
Additions	137,542	13,664	9,198	—	376	160,780
Additions through business combinations (note 5)	306,067	—	—	—	—	306,067
Transfer of assets from development projects	7,571	—	—	—	—	7,571
Disposals	(42)	—	(270)	—	—	(312)
Amortization	(37,963)	(7,656)	(3,367)	(1,134)	(525)	(50,645)
Decommissioning liability (note 16)	790	—	—	—	—	790
Other changes	157	—	—	—	—	157
Balance - end of year	928,642	229,724	28,358	17,716	6,263	1,210,703
<b>As at December 31, 2014</b>						
Cost	1,119,329	268,620	59,053	21,601	11,533	1,480,136
Accumulated amortization	(190,687)	(38,896)	(30,695)	(3,885)	(5,270)	(269,433)
Net carrying amount	928,642	229,724	28,358	17,716	6,263	1,210,703
<b>Year ended December 31, 2015</b>						
Balance - beginning of year	928,642	229,724	28,358	17,716	6,263	1,210,703
Translation adjustment	46,603	20,060	748	1,926	95	69,432
Additions	296,740	27,837	2,573	15,824	1,379	344,353
Additions through business combinations (note 5)	1,885	—	—	—	—	1,885
Transfer of assets from development projects	497	3,644	—	—	—	4,141
Disposals	(318)	(38)	(113)	(12)	(36)	(517)
Amortization	(61,348)	(9,111)	(3,660)	(1,274)	(971)	(76,364)
Decommissioning liability (note 16)	3,842	—	—	—	—	3,842
Other changes	(2,041)	—	—	—	940	(1,101)
Balance - end of year	1,214,502	272,116	27,906	34,180	7,670	1,556,374
<b>As at December 31, 2015</b>						
Cost	1,492,558	330,015	63,171	39,680	16,089	1,941,513
Accumulated amortization	(278,056)	(57,899)	(35,265)	(5,500)	(8,419)	(385,139)
Net carrying amount	1,214,502	272,116	27,906	34,180	7,670	1,556,374

Amortization of property, plant and equipment is presented under *Amortization*. Amortization of property, plant and equipment amounted to \$76,364,000 for the year ended December 31, 2015 (\$50,645,000 in 2014) including \$270,000 related to finance leases (\$279,000 in 2014). Cost and accumulated amortization of assets under finance leases totalled \$5,916,000 and \$4,158,000, respectively, as at December 31, 2015 (\$5,523,000 and \$3,617,000 as at December 31, 2014). Assets include replacement parts amounting to \$3,662,000 (\$2,839,000 as at December 31, 2014) and power stations under construction totalling \$27,174,000 (\$76,795,000 as at December 31, 2014). These assets are not amortized until they are commissioned.

An amount of \$26,274,000 relating to additions to property, plant and equipment was still unpaid as at December 31, 2015 (\$9,591,000 in 2014) and included under *Trade and other payables*.

## Note 9. Other Intangible Assets and Goodwill

	Other intangible assets					
	Energy sales contracts	Water rights	Development projects	Other intangibles	Total	Goodwill
<b>Year ended December 31, 2014</b>						
Balance - beginning of year	111,206	105,998	35,559	4,295	257,058	49,890
Translation adjustment	(1,723)	—	(884)	30	(2,577)	(1,211)
Additions	—	—	5,821	680	6,501	—
Additions through business combinations (note 5)	91,565	—	—	110	91,675	46,194
Transfer of assets to property, plant and equipment	—	—	(7,571)	—	(7,571)	—
Amortization	(6,473)	(2,964)	—	(328)	(9,765)	—
Other changes	13,322	—	(13,975)	(751)	(1,404)	—
Balance - end of year	207,897	103,034	18,950	4,036	333,917	94,873
<b>As at December 31, 2014</b>						
Cost	246,754	115,871	18,950	7,049	388,624	94,873
Accumulated amortization	(38,857)	(12,837)	—	(3,013)	(54,707)	—
Net carrying amount	207,897	103,034	18,950	4,036	333,917	94,873
<b>Year ended December 31, 2015</b>						
Balance - beginning of year	207,897	103,034	18,950	4,036	333,917	94,873
Translation adjustment	13,198	—	(381)	(8)	12,809	3,528
Additions	—	—	4,249	1,637	5,886	—
Additions through business combinations (note 5)	91,210	—	4,837	—	96,047	28,606
Transfer of assets to property, plant and equipment	—	—	(4,141)	—	(4,141)	—
Amortization	(17,176)	(3,042)	—	(390)	(20,608)	—
Other changes	10,807	—	(10,807)	(288)	(288)	—
Balance - end of year	305,936	99,992	12,707	4,987	423,622	127,007
<b>As at December 31, 2015</b>						
Cost	372,645	115,871	12,707	8,390	509,613	127,007
Accumulated amortization	(66,709)	(15,879)	—	(3,403)	(85,991)	—
Net carrying amount	305,936	99,992	12,707	4,987	423,622	127,007

Amortization of energy sales contracts, water rights and other intangible assets is included 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 \$38,214,000 in 2015 and 2014, are not amortized given their indefinite useful life. *Development projects* consist primarily of wind power projects in Ontario and British Columbia and a hydroelectric power project in Québec. *Other intangible assets* consist primarily of CO<sub>2</sub> quotas held by the Blendecques natural gas power station in France and an integrated management information system.

Note 9. Other Intangible Assets and Goodwill (cont'd)

The following table shows the allocation of goodwill by CGU:

	As at December 31, 2015	As at December 31, 2014
Seven hydroelectric power stations	38,063	38,063
St-Patrick, Vron, Fortel-Bonnières and St-François wind power stations	10,041	9,378
11 BEV wind power stations in operation and the Cômes de l'Arce wind power station	48,601	45,396
Frampton wind power station	2,036	—
Touvent wind power station	1,554	—
Jamie Creek hydroelectric power station	1,836	1,836
Ecotera wind power projects	24,676	—
Other	200	200
	127,007	94,873

\* Since the final purchase price allocation will be determined over the next 12 months, this amount is subject to change.

Goodwill and water rights with indefinite useful life relating to the Buckingham power station were tested for impairment as at October 31, 2015. Currently, according to analyses, the carrying amounts of the cash-generating units exceed the recoverable amounts determined using cash flow projections. A discount rate between 5.40% and 6.50% and a growth rate of 2% were used in these impairment tests.

## Note 10. 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 2 and 3 Wind Farms General Partnership ("Joint Venture Phase I") and Seigneurie de Beaupré 4 Wind Farm 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. The Phase II wind farm was commissioned on December 1, 2014.

### 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 farms in Denmark. In 2014, Boralex invested €1,818,000 (\$2,656,000) to acquire a 50% share in the joint venture and to finance development activities. To date, Boralex's share in results is non-material.

### Interests in the Joint Ventures

	2015				2014			
	Phase I	Phase II	Denmark	Total	Phase I	Phase II	Denmark	Total
Balance - beginning of year	67,287	21,627	2,569	91,483	75,442	15,438	—	90,880
Cash contribution	—	—	—	—	3,416	7,181	2,656	13,253
Share in net earnings (loss)	9,618	643	(15)	10,246	6,147	(45)	(3)	6,099
Share in other comprehensive income (loss)	(6,262)	—	139	(6,123)	(17,718)	(794)	(84)	(18,596)
Distributions	(20,300)	(8,800)	—	(29,100)	—	—	—	—
Other	—	—	—	—	—	(153)	—	(153)
Balance - end of year	50,343	13,470	2,693	66,506	67,287	21,627	2,569	91,483

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

	As at December 31, 2015			As at December 31, 2014		
	Phase I	Phase II	Total	Phase I	Phase II	Total
Cash and cash equivalents	14,815	2,884	17,699	21,534	1,367	22,901
Restricted cash	—	325	325	970	13,741	14,711
Other current assets	8,784	1,991	10,775	8,571	16,514	25,085
Non-current assets	641,573	173,617	815,190	676,785	182,050	858,835
TOTAL ASSETS	665,172	178,817	843,989	707,860	213,672	921,532
Current portion of debt	24,785	3,767	28,552	23,156	16,280	39,436
Other current liabilities	10,291	3,015	13,306	9,197	5,646	14,843
Non-current debt	435,213	131,951	567,164	456,914	135,430	592,344
Non-current financial liabilities	46,175	—	46,175	33,504	—	33,504
Other non-current liabilities	48,023	12,750	60,773	50,516	12,652	63,168
TOTAL LIABILITIES	564,487	151,483	715,970	573,287	170,008	743,295
NET ASSETS	100,685	27,334	128,019	134,573	43,664	178,237

Note 10. Interests in the Joint Ventures (cont'd)

	2015			2014		
	Phase I	Phase II	Total	Phase I	Phase II	Total
Revenues from energy sales	95,217	22,182	117,399	90,612	1,597	92,209
Operating	13,486	3,558	17,044	12,443	169	12,612
Administrative	138	54	192	144	64	208
Development	—	—	—	—	15	15
Amortization	35,273	8,989	44,262	34,988	746	35,734
Other gains	(2,570)	(648)	(3,218)	(2,569)	(51)	(2,620)
OPERATING INCOME	48,890	10,229	59,119	45,606	654	46,260
Financing costs	29,654	8,945	38,599	33,310	727	34,037
Foreign exchange loss (gain)	—	(2)	(2)	2	8	10
Net loss on financial instruments	—	—	—	—	10	10
NET EARNINGS (LOSS)	19,236	1,286	20,522	12,294	(91)	12,203
Total other comprehensive loss	(12,524)	—	(12,524)	(35,435)	(1,588)	(37,023)
COMPREHENSIVE INCOME (LOSS)	6,712	1,286	7,998	(23,141)	(1,679)	(24,820)

### Share in Earnings of the Joint Ventures

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

	2015				2014			
	Phase I	Phase II	Denmark	Total	Phase I	Phase II	Denmark	Total
Share in results	9,618	643	(15)	10,246	6,147	(45)	(3)	6,099
Other <sup>(1)</sup>	(2,632)	1	—	(2,631)	(2,664)	(9)	—	(2,673)
Share in earnings (loss) of the Joint Ventures	6,986	644	(15)	7,615	3,483	(54)	(3)	3,426

<sup>(1)</sup> 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 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 change in fair value of financial instruments of the Joint Ventures as reported in the consolidated statements of comprehensive income (loss) of Boralex:

	2015				2014			
	Phase I	Phase II	Denmark	Total	Phase I	Phase II	Denmark	Total
Share in comprehensive income (loss)	(6,262)	—	139	(6,123)	(17,718)	(794)	(84)	(18,596)

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

	2015			
	Payments			
	Current portion	From 1 to 5 years	Over 5 years	Total
Service Contracts	613	2,622	11,936	15,171
Maintenance contracts	517	21,961	—	22,478
Land lease contracts	971	4,032	15,042	20,045
Total	2,101	28,615	26,978	57,694

### 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").

## Note 10. Interests in the Joint Ventures (cont'd)

### 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 \$1,900,000, indexed annually at a rate of 1.5%.

### Contingency

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). Consequently, the Court of Appeal sent the matter back to the Superior Court for a hearing on the grounds for a class action. However, the Court of Appeal revisited the definition of the group covered by the class action. Accordingly, only persons residing on specific roads (corresponding to the road giving access to the wind farms) may now join the class action and eventually (if the Court allows the class action) obtain compensation. Based on the evidence presented to date, this group is currently estimated to comprise about 50 residences. This redefining of the group covered by the class action will likely reduce the amount to which the Joint Ventures could be liable for. To-date, the insurer of the project has assumed the total defence costs. Potential claims resulting from a possible decision favourable to the applicants could be reimbursed by the insurer, 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 provision would be insignificant and accordingly, has not recorded a provision for this contingency.

## Note 11. Other Non-current Assets

	Note	As at December 31, 2015	As at December 31, 2014
Reserve funds	a)	35,319	29,987
Renewable energy tax credits	b)	8,528	7,609
Payments receivable for property, plant and equipment	c)	—	6,956
Investments	d)	1,564	1,576
Borrowing cost, net of accumulated amortization		1,020	1,071
Other		—	246
		46,431	47,445

- (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. Those reserves amounted to \$30,140,000 (€9,818,000, US\$7,159,000 and \$5,522,000) as at December 31, 2015 and \$26,169,000 (€9,659,000, US\$7,414,000 and \$4,008,000) as at December 31, 2014. A reserve to finance maintenance of property, plant and equipment amounted to \$4,740,000 (US\$3,072,000 and \$490,000) as at December 31, 2015 and \$3,369,000 (US\$2,816,000 and \$102,000) as at December 31, 2014.
- (b) *Renewal 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 2026 to 2029.
- (c) In 2014, the *Payment receivable for property, plant and equipment* consisted of a due from Hydro-Québec for repayment of the transformer substation and collector system for certain projects under development.
- (d) *Investments* consisted primarily of a minority interest in CelluFuel Inc.

## Note 12. Trade and Other Payables

	As at December 31, 2015	As at December 31, 2014
Trade payables	10,201	10,039
Related party payables (note 28)	277	220
Accrued liabilities	30,318	23,242
Contingent consideration - current portion (note 5)	16,271	—
Interest payable	11,292	9,507
Maintenance contracts	4,383	2,072
Other payables	19,383	14,197
	92,125	59,277

## Note 13. Non-current Debt

	Note	Maturity	Rate <sup>(1)</sup>	Currency of origin	As at December 31, 2015	As at December 31, 2014
Bridge financing facility	a)	—	—		—	100,000
Revolving credit facility	b)	2018	—		70,210	110,561
Term loans payable – Canada	c)	2024-2054	5.45		527,372	291,140
Term loans payable – Europe	d)	2017-2033	3.32	458,944	689,742	587,909
Term loan payable – United States	e)	2026	3.51	70,205	97,163	93,234
Term loan payable – Cube	f)	2019	6.50	40,000	60,116	—
			4.09		1,444,603	1,182,844
Current portion of debt					(145,200)	(172,044)
Borrowing cost, net of accumulated amortization					(23,546)	(21,713)
					1,275,857	989,087

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

### (a) Bridge financing facility

This loan was repaid on January 12, 2015 using the proceeds from the sale of Class A common shares of Boralex (note 17(b)).

### (b) Revolving credit facility

The revolving credit facility is secured by the assets of Boralex Inc., its power stations located in Québec, and the investments in its U.S. operations. The authorized limit is \$175,000,000 and may be increased by \$50,000,000 under certain conditions. For drawdowns in U.S. dollars, the interest rate is based on LIBOR or the U.S. prime rate plus a margin while interest on Canadian dollar drawdowns is calculated using the Canadian bankers' acceptance rates or prime rate plus their respective margins.

As at December 31, 2015, \$70,210,000 in cash had been drawn down under this credit facility and a total of \$28,587,000 was drawn down to issue letters of credit.

### (c) Term Loans Payable - Canada

The Corporation has contracted term loans for two 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 2024 to 2054 on a monthly, quarterly or half-yearly basis, and bear interest at rates varying from 3.94% to 7.05% or at a weighted average rate of 5.45%, taking into account the impact of interest rate swaps.

Certain of these term loans include credit facilities with a total authorized amount of \$32,420,000. As at December 31, 2015, an amount of \$7,432,000 was drawn down from these facilities to issue letters of credit.

As at December 31, 2015, 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 \$15,219,000 will be repaid in 2016 when Hydro-Québec reimburses the Corporation for the construction costs incurred.

### (d) 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 2.19% to 4.97% or at a weighted average rate of 3.32%, taking into account the impact of interest rate swaps.

Certain of these term loans include revolving credit facilities with a total authorized amount of \$15,020,000. As at December 31, 2015, these facilities were undrawn.

### (e) 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.

### (f) 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 €16,000,000 (\$24,046,000), 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 €40,000,000 (\$60,116,000) 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.



## Note 13. Non-current Debt (cont'd)

### Term credit facility

On June 22, 2015, Boralex entered into a \$75,000,000 term credit facility that will be available until March 31, 2016 and if the Corporation makes use of this facility, it will expire on June 27, 2018. The interest rate is based on Canadian bankers' acceptance rate or prime rate plus their respective margins. This facility is secured by the assets of Boralex Inc., its power stations in Québec and its investments in its U.S. operations. As at December 31, 2015, this term credit facility was undrawn.

### 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 \$1,739,000,000 as at December 31, 2015.

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, 2015, the amounts maintained in reserve accounts for that purpose stood at \$34,880,000 (\$29,538,000 as at December 31, 2014) (see note 11).

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

## Note 14. Convertible Debentures

	Note	Effective rate	Maturity	Initial nominal value	Nominal value as at December 31, 2015	As at December 31, 2015	As at December 31, 2014
2010 Debentures	(a)	8.50%	June 2017	245,150	—	—	232,977
2015 Debentures	(b)	6.36%	June 2020	143,750	143,750	133,070	—
						133,070	232,977

As at December 31, 2015, Boralex had 1,437,500 issued and outstanding 2015 convertible debentures with a nominal value of \$100 each (2,443,367 2010 Debentures as at December 31, 2014).

### 2010 Debentures

- (a) On August 31, 2015, Boralex committed itself to make a cash redemption on September 30, 2015 of a \$150,000,000 principal amount (out of a \$244,079,000 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 \$196,972,000, which resulted in the issuance of 16,864,000 new Class A shares. The Corporation redeemed the full non-converted principal amount with a nominal value of \$47,107,000 on September 30, 2015 and recognized a loss on redemption of convertible debentures of \$2,759,000 (\$2,315,000 net of taxes). The equity component of the converted debentures, representing an amount of \$14,379,000, was reclassified to capital stock.

### 2015 Debentures

- (b) 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 \$125,000,000 ("2015 Debentures"). On June 26, 2015, Boralex announced the exercising of the over-allotment option for this investment in an amount of \$18,750,000. The total value of 2015 Debentures was therefore \$143,750,000 (\$137,418,000 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 at \$5,366,000. 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 \$6,332,000. The initial fair value of these debentures is therefore \$132,052,000.

## Note 15. Income Taxes

The impact of income tax recovery is as follows:

	2015	2014
Current taxes	1,919	4,249
Deferred taxes	(3,415)	(5,103)
	(1,496)	(854)

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:

	2015	2014
Net loss before income taxes	(9,708)	(14,595)
Combined basic Canadian and provincial income tax rate	26.58%	26.59%
Income tax recovery at the statutory rate	(2,580)	(3,881)
Increase (decrease) in income taxes arising from the following:		
Non-taxable/non-deductible items	(1,113)	499
Difference in foreign operations' statutory income tax rates	1,668	1,932
Change in unrecognized deferred income tax asset and tax rates	464	343
Remeasurement of current and deferred income tax assets and liabilities	249	(62)
Foreign income taxes payable on dividends and other items	(184)	315
Effective income tax recovery	(1,496)	(854)

	2015	2014
Deferred income tax asset	21,190	8,744
Deferred income tax liability	(87,353)	(46,225)
	(66,163)	(37,481)

The changes in deferred taxes by nature are as follows:

	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	109,138	—	8,345	—	—	—	117,483
Financial instruments	14,696	(1,437)	6,082	—	430	—	19,771
Provisions	5,254	—	2,184	—	—	—	7,438
Interests in the Joint Ventures	3,703	1,666	(2,686)	—	—	—	2,683
Temporary differences between accounting and tax amortization	(165,031)	—	(10,374)	(28,285)	—	—	(203,690)
Translation adjustments	(783)	(6,092)	778	—	—	—	(6,097)
Financing and other costs	(4,458)	—	(914)	—	—	1,621	(3,751)
Total deferred income tax liabilities	(37,481)	(5,863)	3,415	(28,285)	430	1,621	(66,163)

	As at January 1, 2014	Recorded in comprehensive income (loss)	Recorded in net loss	Business acquisitions	As at December 31, 2014
Deferred income tax asset related to loss carryforwards	75,983	—	553	32,602	109,138
Financial instruments	9,057	6,315	(676)	—	14,696
Provisions	2,469	—	2,675	110	5,254
Interests in the Joint Ventures	496	4,819	(1,612)	—	3,703
Temporary differences between accounting and tax amortization	(121,651)	—	4,777	(48,157)	(165,031)
Translation adjustments	(1,708)	(780)	1,705	—	(783)
Financing and other costs	(2,139)	—	(2,319)	—	(4,458)
Total deferred income tax liabilities	(37,493)	10,354	5,103	(15,445)	(37,481)

Given that future taxable income is expected to be sufficient, deductible temporary differences, unused loss carryforwards and tax credits have been recorded as a deferred tax asset in the statement of financial position. A deferred tax asset of \$1,949,000 (\$1,736,000 in 2014) in Canada was not imputed against the \$9,698,000 capital loss carryforwards, as no unrealized capital gain is expected. The capital losses have no expiry date.

## Note 16. 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, 2015 cash flows were discounted using a 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 2015 and 2014:

	2015	2014
Balance - beginning of year	25,486	7,198
Translation adjustment	1,696	(267)
Liability assumed as part of the business acquisition	—	17,259
Revised cash flow estimates	60	—
New obligations	3,782	790
Accretion expense included in financing costs (note 21)	788	506
Balance - end of year	31,812	25,486

## Note 17. 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, 2015. 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 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 and contributed surplus between December 31, 2014 and 2015:

	Note	Capital stock		Contributed surplus
		Number of shares	Amount	Amount
Balance as at January 1, 2014		37,767,855	223,079	7,730
Issuance of shares on debenture conversions	a)	26,118	318	—
Fair value of options recorded during the year	c)	—	—	536
Exercise of options	c)	630,457	4,860	—
Balance as at December 31, 2014		38,424,430	228,257	8,266
Issuance of shares on debenture conversions	a)	16,885,754	197,230	—
Redemption of debentures	a)	—	10,544	—
Issuance of shares	b)	9,505,000	119,542	—
Fair value of options recorded during the year	c)	—	—	340
Exercise of options	c)	13,928	107	—
Balance as at December 31, 2015		64,829,112	555,680	8,606

- (a) Each debenture is convertible into Class A common shares of Boralex at the option of the holder at any time under the terms and conditions described in note 14. Also, on August 31, 2015, the Corporation undertook to redeem the 2010 Debentures. For further details, see note 14. In 2015, debenture holders converted 1,972,296 debentures with a value of \$197,230,000 into 16,885,754 shares (3,178 debentures with a value of \$318,000 into 26,118 shares in 2014).
- (b) 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 \$110,011,000. 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 \$100,000,000 bridge facility (note 13(a)).

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 \$14,029,000 for Boralex.

These capital increases generated gross proceeds of \$124,040,000 and net proceeds of \$119,542,000 (net of issuance costs and related taxes).

- (c) The Corporation has a stock option plan as disclosed in note 18. During fiscal year 2015, 13,928 stock options held by current and past senior executives were exercised and a total amount of \$107,000 was paid to the Corporation (630,457 stock options exercised totalling \$4,860,000 in 2014).

### Dividends

During fiscal 2015, the Corporation authorized and declared quarterly dividends of \$0.13 per Class A common share for total dividends of \$0.52 per share for the year. 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 16, June 15, September 16 and December 15, 2015, the Corporation paid dividends totalling \$27,129,000 (\$19,896,000 in 2014). An additional dividend of \$0.13 per common share was declared on February 7, 2016 and will be paid on March 15, 2016 for holders of record at the close of business on February 29, 2016.

## Note 18. 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:

	2015		2014	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding - beginning of year	1,566,871	9.91	2,085,272	9.08
Granted	103,717	13.87	112,056	12.90
Exercised	(13,928)	7.70	(630,457)	7.71
Cancelled	(19,781)	14.36	—	—
Outstanding - end of year	1,636,879	10.12	1,566,871	9.91
Options exercisable - end of year	1,322,671	9.75	1,169,343	9.87

The following options were outstanding as at December 31, 2015:

Granted in	Options outstanding		Options exercisable		
	Number of options	Exercise price	Number of options	Exercise price	Year of expiry
2006	66,778	9.46	66,778	9.46	2016
2007	136,839	13.30	136,839	13.30	2017
2008	120,409	17.29	120,409	17.29	2018
2009	291,647	7.14	291,647	7.14	2019
2010	203,657	9.20	203,657	9.20	2020
2011	226,062	8.50	226,062	8.50	2021
2012	249,977	7.96	186,566	7.96	2022
2013	128,161	10.29	63,310	10.29	2023
2014	109,632	12.90	27,403	12.90	2024
2015	103,717	13.87	—	—	2025
	1,636,879	10.12	1,322,671	9.75	

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:

	2015	2014
Share price on grant date	13.91	12.97
Exercise price	13.87	12.90
Expected annual dividend rate	4.52%	5.58%
Term	10 years	10 years
Expected volatility	17.98%	21.59%
Risk-free interest rate	2.21%	2.83%
Weighted average fair value per option	2.09	2.17

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*. A \$340,000 compensation expense in respect of the stock option plans was recognized for fiscal 2015 (\$536,000 in 2014).

## Note 19. Non-controlling Shareholders

### Boralex Europe S.A.

On February 27, 2015, the Corporation announced the closing of a financial settlement whereby its partner Cube agreed to exchange its entire 25% equity interest in Boralex Europe for term loans as discussed in note 13. The excess of proceeds on the repurchase of non-controlling shareholders, amounting to \$51,567,000, was recorded in *Retained earnings*. In 2014, Boralex Europe S.A. paid a dividend to our partner totalling \$2,050,000 (€1,451,000).

### Côte-de-Beaupré Wind Farm

As at December 31, 2015, our partner Côte-de-Beaupré RCM, which holds a 49% interest in the wind farm, made a cash contribution of \$2,616,000 (\$1,479,000 in 2014).

### Frampton Wind Farm

As at December 31, 2015, the Municipality of Frampton, which holds a 33% interest in the wind farm, made a cash contribution of \$4,466,000. Following the financing, the Corporation also made a special distribution of \$3,867,000 to the municipality to repay the excess amount of equity it had invested.

### Témiscouata I Wind Farm

As at December 31, 2014, our partner Témiscouata RCM, which holds a 49% interest in the wind farm, made a cash contribution of \$3,756,000. In 2015, the Corporation made a distribution of \$4,496,000 to the municipality.

## Note 20. Expenses by Nature

### Operating and Administrative

	2015	2014
Raw material and consumables	14,762	17,518
Maintenance and repairs	22,044	15,708
Employee benefits	22,599	18,818
Rental expenses, taxes and permits	21,190	14,021
Other operating expenses	6,875	5,825
Professional fees	4,627	2,459
Other administrative expenses	3,891	3,426
	95,988	77,775

### Employee Benefits

	2015	2014
Current salaries and benefits	20,023	16,667
Other post-employment benefits	2,235	1,615
Share-based benefits	341	536
	22,599	18,818

## Note 21. Financing Costs

	Note	2015	2014
Interest on non-current debt, net of the impact of interest rate swaps		52,311	37,505
Interest on convertible debentures		18,443	19,466
Interest and other interest income		(638)	(906)
Amortization of borrowing costs (note 13)		4,452	3,036
Accretion expense (note 16)		788	506
Other interest and banking fees	b)	1,988	1,499
		77,344	61,106
Interest capitalized to qualifying assets	a)	(3,325)	(3,009)
		74,019	58,097

(a) The weighted average rate for the capitalization of borrowing costs to qualifying assets was 4.59% per annum (3.24% per annum in 2014).

(b) *Other interest and banking fees* consist of financing costs on short-term borrowings, such as the \$100,000,000 bridge facility, which was repaid in January 2015.

## Note 22. Net Earnings (Loss) per Share

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

(in thousands of dollars, except per share amounts and number of shares)	2015	2014
Net loss attributable to shareholders of Boralex	(10,835)	(11,767)
Less:		
Net earnings from discontinued operations	—	2,652
Net loss from continuing operations attributable to shareholders of Boralex (basic and diluted)	(10,835)	(14,419)
Weighted average number of shares (basic and diluted)	52,364,710	38,283,988
Net loss per share (basic and diluted) from continuing operations attributable to shareholders of Boralex	(\$0.21)	(\$0.38)
Net earnings per share (basic and diluted) from discontinued operations	—	\$0.07
Net loss per share (basic and diluted) attributable to shareholders of Boralex	(\$0.21)	(\$0.31)

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:

	2015	2014
Convertible debentures excluded due to their anti-dilutive effect	7,334,183	20,327,494
Stock options excluded due to their anti-dilutive effect	1,636,879	1,566,871

## Note 23. Change in Non-cash Items Related to Operating Activities

	2015	2014
Decrease (Increase) in:		
Trade and other receivables	(6,012)	(1,898)
Inventories	(1,346)	—
Prepaid expenses	893	(1,861)
Increase (Decrease) in:		
Trade and other payables	(7,494)	1,739
	(13,959)	(2,020)



## Note 24. Financial Instruments

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

	As at December 31, 2015		As at December 31, 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>OTHER LIABILITIES</b>				
Non-current debt	1,421,057	1,502,335	1,161,131	1,234,873
Convertible debentures (including equity portion)	137,010	145,906	247,356	272,264

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, 2015	As at December 31, 2014
<b>OTHER CURRENT FINANCIAL ASSETS</b>		
Foreign exchange forward contracts	541	1,213
<b>OTHER NON-CURRENT FINANCIAL ASSETS</b>		
Foreign exchange forward contracts	239	3,230
<b>OTHER CURRENT FINANCIAL LIABILITIES</b>		
Financial swaps - interest rates	41,356	34,116
<b>OTHER NON-CURRENT FINANCIAL LIABILITIES</b>		
Foreign exchange forward contracts	4,130	2,368
Financial swaps - interest rates	32,586	31,254
	36,716	33,622

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 0.89% to 5.14%, were determined based on local government bond yields adjusted for the risks specific to each of the borrowings and for credit market liquidity conditions. The convertible debentures are traded on the stock exchange, and their fair values are based on the prices as at December 31, 2015.

### 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, 2015:

As at December 31, 2015	Currency	Fixed-rate payer	Floating-rate receiver	Maturity	Current notional (in CAD)	Fair value (in CAD)
Financial swaps - interest rates	EUR	1.02%–5.16%	6-month Euribor	2016-2033	376,323	(28,209)
Financial swaps - interest rates	CAD	2.38%–5.81%	3-month CDOR	2034-2055	212,531	(45,733)

Financial swaps - interest rates denominated in Canadian dollars contain an early termination clause that is mandatory in 2016. 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, Boralex considers offsetting agreements, if any.

## Note 24. Financial Instruments (cont'd)

As at December 31,

2015

	Exchange rate	Maturity	Current notional (in CAD)	Fair value (in CAD)
Foreign exchange forward contracts (EUR for CAD)	1.5137-1.5475	2016-2025	156,302	(3,350)

### 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 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, 2015	Level 1	Level 2	Level 3
<b>DERIVATIVE FINANCIAL ASSETS</b>				
Foreign exchange forward contracts	780	—	780	—
<b>OTHER FINANCIAL LIABILITIES</b>				
Non-current debt	1,502,335	—	1,502,335	—
Convertible debentures	145,906	145,906	—	—
	1,648,241	145,906	1,502,335	—
<b>DERIVATIVE FINANCIAL LIABILITIES</b>				
Foreign exchange forward contracts	4,130	—	4,130	—
Financial swaps - interest rates	73,942	—	73,942	—
	78,072	—	78,072	—

	Fair value hierarchy levels			
	As at December 31, 2014	Level 1	Level 2	Level 3
<b>DERIVATIVE FINANCIAL ASSETS</b>				
Foreign exchange forward contracts	4,443	—	4,443	—
<b>OTHER FINANCIAL LIABILITIES</b>				
Non-current debt	1,234,873	—	1,234,873	—
Convertible debentures	272,264	272,264	—	—
	1,507,137	272,264	1,234,873	—
<b>DERIVATIVE FINANCIAL LIABILITIES</b>				
Foreign exchange forward contracts	2,368	—	2,368	—
Financial swaps - interest rates	65,370	—	65,370	—
	67,738	—	67,738	—

## Note 25. Financial Risks

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

### Market Risk

#### Foreign Exchange Risk

The Corporation generates foreign currency liquidity through the operation of its power stations in France and the United States. First, the Corporation reduces its risk exposure to a minimum, 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 large BEV acquisition made in December 2014 and that Boralex now pays a dividend in Canadian dollars, the Corporation entered into forward sales 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 when large transactions are entered into outside Canada.

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, 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, 2015, a \$0.05 rise or fall in the Canadian dollar against the other currencies, assuming that all other variables had remained the same, would have resulted in a \$409,000 (\$577,000 in 2014) increase or decrease, respectively, in the Corporation's net loss for the year ended December 31, 2015, whereas *Accumulated other comprehensive loss* would have increased or decreased by an after-tax amount of \$9,144,000 (\$6,728,000 in 2014), respectively.

#### Price Risk

As at December 31, 2015, 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 2% 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, 2015, a 5% rise or fall in the price of energy, assuming that all other variables had remained the same, would have resulted in a \$112,000 (\$204,000 in 2014) increase or decrease, respectively, in the Corporation's net loss for the year ended December 31, 2015, whereas *Accumulated other comprehensive loss* would have remained unchanged (nil in 2014).

#### 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 1.02% 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 90% of the debt with variable interest rates. These agreements require the periodic exchange of interest rate payments without any exchange of the notional amounts with which these 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 facilities are drawn down gradually and the loans are repaid periodically following the commissioning of sites, the swaps have been structured to replicate the underlying credit terms and conditions and maintain hedging for a large portion of the debt.

In addition, the Yellow Falls hydroelectric power facility and two other development projects that the Corporation intends to build, finance and commission in the coming years are also sources of interest rate risk exposure. Therefore, the Corporation holds financial swaps - interest rates that have been designated as hedges of variable interest cash flows associated with anticipated financing programs with a notional amount of \$98,031,000.

## Note 25. Financial Risks (cont'd)

Note that in 2014, in connection with bids made for wind power projects under the tender for 450 MW in Québec, the Corporation had redesignated swaps with a notional amount of \$120,000,000 (previously designated for the Témiscouata I and II wind power projects) as hedges for these anticipated future projects. In December 2014, the Corporation was informed that its projects had not been selected. As at December 31, 2014, this instrument was no longer subject to hedge accounting. This financial instrument was redesignated for two other development projects in 2015. As a result, during the few months that this instrument was not designated, the total changes in fair value was recorded in the statement of loss under *Net loss on financial instruments* in the amount of \$4,708,000.

As at December 31, 2015, 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 9%. As at December 31, 2015, the notional balance of these swaps stood at \$588,854,000 (€250,398,000 and \$212,531,000) (\$486,237,000 (€244,852,000 and \$142,514,000) in 2014), while their unfavourable fair value was \$73,942,000 (€18,770,000 and \$45,733,000) (\$65,370,000 (€22,264,000 and \$34,116,000) in 2014). These swaps mature from 2016 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, 2015, the Corporation expects to reclassify, over the next 12 months, a pre-tax expense of approximately \$10,601,000 from *Accumulated other comprehensive loss* to earnings (loss) (\$7,200,000 as at December 31, 2014).

On December 31, 2015, a 5% rise or fall in the variable interest rates, assuming that all other variables had remained the same, would have resulted in a \$80,000 (\$88,000 in 2014) increase or decrease, respectively, in the Corporation's net loss for the year ended December 31, 2015, whereas *Accumulated other comprehensive loss* would have increased or decreased by an after-tax amount of \$7,909,000 (\$5,423,000 in 2014), respectively.

### 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 papermaking 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 return 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 25. Financial Risks (cont'd)

The contractual maturities of the Corporation's non-derivative financial liabilities and derivative financial instruments as at December 31, 2015 and 2014 are detailed in the following tables:

As at December 31, 2015	Carrying amount	Undiscounted cash flows (principal and interest)				Total
		Current portion	From 1 to 2 years	From 2 to 5 years	Over 5 years	
<b>Non-derivative financial liabilities:</b>						
Trade and other payables	92,125	92,125	—	—	—	92,125
Non-current debt	1,421,057	205,553	146,054	510,705	1,107,313	1,969,625
Convertible debentures	137,010	6,469	6,469	16,171	—	29,109
<b>Derivative financial instruments:</b>						
Financial swaps - interest rates	73,942	10,601	12,497	29,180	35,991	88,269
Foreign exchange forward contracts	4,130	—	—	533	5,028	5,561
	1,728,264	314,748	165,020	556,589	1,148,332	2,184,689

As at December 31, 2014	Carrying amount	Undiscounted cash flows (principal and interest)				Total
		Current portion	From 1 to 2 years	From 2 to 5 years	Over 5 years	
<b>Non-derivative financial liabilities:</b>						
Trade and other payables	59,277	59,277	—	—	—	59,277
Non-current debt	1,161,131	214,147	123,652	452,605	865,215	1,655,619
Convertible debentures	247,356	16,493	24,739	—	—	41,232
<b>Derivative financial instruments:</b>						
Financial swaps - interest rates	65,370	7,199	7,851	25,340	36,776	77,166
Foreign exchange forward contracts	2,368	—	—	—	3,517	3,517
	1,535,502	297,116	156,242	477,945	905,508	1,836,811

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 26. Capital Management

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

- Safeguard the Corporation's ability to pursue its operations and development;
- Maintain financial flexibility to enable the Corporation to seize opportunities when they arise;
- Safeguard the Corporation's financial flexibility with a view to offsetting the seasonal nature of its operations primarily for the cyclical variations in hydroelectric and wind power generation;
- Maximize the terms of borrowings in line with the useful lives of its assets or underlying contracts;
- Ensure continuous access to capital markets; and
- Diversify 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 itself 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, 2015 and 2014, the Corporation was in compliance with its minimum 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, 2015	As at December 31, 2014
Non-current debt	1,275,857	989,087
Current portion of debt	145,200	172,044
Borrowing costs, net of accumulated amortization	23,546	21,713
Less:		
Bridge financing facility*	—	100,000
Cash and cash equivalents	99,641	75,394
Restricted cash	3,345	12,459
Net debt	1,341,617	994,991

\* The bridge financing facility was excluded from net debt as at December 2014, as it related to temporary financing.

Note 26. Capital Management (cont'd)

The Corporation defines total market capitalization as follows:

	As at December 31, 2015	As at December 31, 2014
(in thousands of dollars, except for the number of outstanding shares and share market price)		
Number of outstanding shares (in thousands)	64,829	38,424
Share market price (in \$ per share)	14.46	12.85
Market value of equity attributable to shareholders	937,429	493,754
Non-controlling shareholders	8,038	33,128
Bridge financing facility	—	100,000
Net debt	1,341,617	994,991
Convertible debentures (nominal value)	143,750	244,337
Total market capitalization	2,430,834	1,866,210

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

	As at December 31, 2015	As at December 31, 2014
(in thousands of dollars)		
Net debt	1,341,617	994,991
Total market capitalization	2,430,834	1,866,210
<b>NET DEBT RATIO (market capitalization)</b>	<b>55.2%</b>	<b>53.3%</b>
<b>NET DEBT RATIO (market capitalization, excluding non-current debt drawn for projects under construction)*</b>	<b>55.2%</b>	<b>52.3%</b>

\* 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 55.2% 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 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. Analysis of those ratios must take into account changes in items such as *Accumulated other comprehensive loss*, which are affected by the notional amount of the interest rate swaps, which declines each year.

## Note 27. Commitments and Contingency

In addition to the commitments of the Joint Ventures (discussed in note 10), the Corporation entered into the following transactions:

	Payments			Total
	Current portion	From 1 to 5 years	Over 5 years	
Purchase and construction contracts	74,710	227	—	74,937
Maintenance contracts	15,420	45,967	25,886	87,273
Operating land lease contracts	4,163	23,074	48,656	75,893
	94,293	69,268	74,542	238,103

### 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 2016 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, which is indexed at an annual fixed rate), 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
2016 - 2017	83.67 – 86.65	81.78– 80.58
2018 - 2024	86.65	48.27
2025	121.79 or market*	48.27
2026 and thereafter	121.79 or market*	56.28 or market*

\* 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.

#### France

The Corporation has a 15-year energy sales contract for the **Touvent** wind power project. This contract will begin when the wind farm is 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 **Yellow Falls** hydroelectric power project.

#### France

- The Corporation has entered into a number of turbine construction and installation contracts as well as a connection agreement for the **Touvent** wind power project.
- The Corporation has entered into a connection agreement for the **Plateau de Savernat** 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 after five years.
- (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 after five years.
- (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 after seven years.

### 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 15 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. These leases may be renewed at the option of the Corporation.
- (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 2016 to 2020, 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.

### 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 11 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\$10,000,000 (Hudson Falls power station) and US\$5,000,000 (South Glens Falls power station).

## Contingency

### 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 Borealex and the Fund was illegal and, accordingly, demands payment of damages amounting to nearly \$6,700,000 (the initial suit was for an amount of nearly \$14,400,000). 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 \$1,400,000.

## Note 27. Commitments and Contingency (cont'd)

### Other

#### Canada

On June 8, 2015, Boralex announced the signature of a buy option (the “Option”) for a 25% economic interest in the 230 MW **Niagara Region Wind Farm** project in which wind turbine maker Enercon is the majority owner. Located in the Regional Municipality of Niagara, the Niagara Region Wind Farm project will comprise 77 Enercon wind turbines of 3 MW and is slated for commissioning by the end of 2016. Boralex has undertaken to pay Enercon an initial deposit of \$5,000,000 to acquire the Option. The total investment planned for this major undertaking ranges from \$900,000,000 to \$950,000,000. Under its partnership agreement with Enercon, Boralex is responsible for the coordination of the project construction, which began in June 2015, and the operation and management of the future site following the exercise of the Option. The Corporation expects that \$60,000,000 in equity will be needed to exercise the Option.

## Note 28. Related Party Transactions

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

	2015	2014
<b>OTHER REVENUES</b>		
R.S.P. Energy Inc. - an entity in which Richard and Patrick Lemaire, directors of the Corporation, are two of three shareholders	539	509
Joint Ventures Phases I and II	733	604
<b>COSTS AND OTHER EXPENSES</b>		
Operating		
Cascades Inc. - an entity having significant influence over the entity	569	640
Chargeback of salaries		
Joint Ventures Phases I and II	45	821
Interest income		
R.S.P. Energy Inc. - an entity in which Richard and Patrick Lemaire, directors of the Corporation, are two of three shareholders	—	(18)
CelluFuel Inc. - associated company	(19)	—

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, 2015	As at December 31, 2014
<b>RELATED PARTY RECEIVABLES</b>		
European partner	—	524
Cascades Inc. - an entity having significant influence over the entity	301	186
R.S.P. Energy Inc. - an entity in which Richard and Patrick Lemaire, directors of the Corporation, are two of three shareholders	25	—
Joint Ventures Phases I and II	409	618
Otter Creek Wind Farm Limited Partnership – associated company	660	—
	1,395	1,328
<b>RELATED PARTY PAYABLES</b>		
Cascades Inc. - an entity having significant influence over the entity	275	148
Joint Venture Phase I	2	72
	277	220

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:

	2015	2014
Current salaries and benefits	1,809	1,764
Other long-term benefits	1,739	1,798
Stock-based compensation	185	204
	3,733	3,766

## Note 29. 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(A) and EBITDA are reconciled to the most comparable IFRS measure, namely, net loss, in the following table:

	2015	2014
Net loss	(8,212)	(11,089)
Income tax recovery	(1,496)	(854)
Financing costs	74,019	58,097
Amortization	96,972	60,410
<b>EBITDA</b>	<b>161,283</b>	<b>106,564</b>
Adjustments:		
Net earnings from discontinued operations	—	(2,652)
Loss on redemption of convertible debentures	2,759	—
Net loss on financial instruments	7,467	8,187
Foreign exchange loss (gain)	(2,374)	406
Other gains	(379)	(1,962)
<b>EBITDA(A)</b>	<b>168,756</b>	<b>110,543</b>

## Information on Principal Clients

Revenues are allocated according to the client's country of domicile. In 2015 and 2014, the Corporation had four clients accounting for 10% and more of its revenues.

The tables below show the respective percentage of consolidated revenues from each client, as well as the segments in which they operate:

2015		2014	
% of sales attributable to one client	Segment(s)	% of sales attributable to one client	Segment(s)
52	Wind, thermal and solar	39	Wind, thermal and solar
17	Wind, hydroelectric and thermal	16	Wind, hydroelectric and thermal
11	Wind	16	Wind
10	Hydroelectric	13	Hydroelectric

Note 29. Segmented Information (cont'd)

Information by Operating Segment

	2015	2014	2015	2014
	Power production (MWh)		Revenues from energy sales	
	(Unaudited)	(Unaudited)		
Wind power stations	1,396,000	785,997	177,720	102,063
Hydroelectric power stations	626,477	641,979	58,166	58,166
Thermal power stations	154,701	169,637	26,477	30,090
Solar power stations	8,720	6,259	3,264	3,082
	2,185,898	1,603,872	265,627	193,401
	EBITDA (A)		Additions to property, plant and equipment	
Wind power stations	149,516	87,595	291,448	139,785
Hydroelectric power stations	40,792	42,715	19,298	17,796
Thermal power stations	5,704	5,247	2,870	9,417
Solar power stations	2,834	2,634	14,793	—
Corporate and eliminations	(30,090)	(27,648)	1,146	688
	168,756	110,543	329,555	167,686
			As at December 31, 2015	As at December 31, 2014
<b>Total assets</b>				
Wind power stations			1,756,548	1,357,952
Hydroelectric power stations			478,837	458,540
Thermal power stations			41,684	40,332
Solar power stations			40,752	20,139
Corporate			124,106	72,815
			2,441,927	1,949,778
<b>Total liabilities</b>				
Wind power stations			1,382,196	928,815
Hydroelectric power stations			174,853	183,782
Thermal power stations			12,744	14,466
Solar power stations			32,935	16,175
Corporate			286,502	470,221
			1,889,230	1,613,459

Note 29. Segmented Information (cont'd)

Information by Geographic Segment

	2015	2014	2015	2014
	Power production (MWh)		Revenues from energy sales	
	(Unaudited)	(Unaudited)		
Canada	767,645	636,929	85,420	70,768
France	1,087,003	586,573	150,481	90,672
United States	331,250	380,370	29,726	31,961
	2,185,898	1,603,872	265,627	193,401
	EBI TDA(A)		Additions to property, plant and equipment	
Canada	51,906	33,741	259,093	101,249
France	95,876	52,962	69,746	64,257
United States	20,974	23,840	716	2,180
	168,756	110,543	329,555	167,686
			As at December 31, 2015	As at December 31, 2014
<b>Total assets</b>				
Canada			1,055,924	778,165
France			1,178,015	983,967
United States			207,988	187,646
			2,441,927	1,949,778
<b>Non-current assets, excluding <i>Interests in the Joint Ventures and Deferred income tax asset</i></b>				
Canada			878,544	622,064
France			1,089,368	903,017
United States			185,761	165,087
			2,153,673	1,690,168
<b>Total liabilities</b>				
Canada			834,495	765,528
France			905,905	709,813
United States			148,830	138,118
			1,889,230	1,613,459

## Note 30. Subsequent Events

### Term Loan Payable - Touvent Wind Power Project

On January 26, 2016, the Corporation completed the closing of long-term financing for the **Touvent** wind power project. The loan, secured by the assets of this wind power project, consists of an amount of €20,590,000 (\$30,945,000), an amount of €3,674,000 (\$5,222,000) drawn from a bridge facility and an amount of €3,200,000 (\$4,809,000) from a revolving VAT financing facility. The €20,590,000 loan will be fully amortized in quarterly payments over a 15-year period. The first quarterly repayment is due a few months after commissioning slated for July 2016. The variable interest rate for the €20,590,000 facility is based on EURIBOR, plus a margin. To reduce its exposure to rate fluctuations, Boralex entered into financial swaps - interest rates with a notional amount of €18,531,000 (\$27,850,000) at a rate of 0.88%, excluding the margin. With these swaps, the rate is fixed at 2.18% for 90% of the €20,590,000 debt.

### Term Loan Payable - St-Patrick Wind Farm

On January 26, 2016, the Corporation refinanced the term loan for the **St-Patrick** wind farm. The initial loan with a balance of €28,422,000 (\$42,717,000) as at December 31, 2015 was repaid in full on January 29, 2016 and the financial swaps - interest rates were closed out. The new loan, secured by the assets of this wind power project, consists of an amount of €42,412,000 (\$63,741,000). The loan will be amortized in quarterly payments over an 11-year period. The variable interest rate for the facility is based on EURIBOR, plus a margin. To reduce its exposure to rate fluctuations, Boralex entered into financial swaps - interest rates with a notional amount of €38,171,000 (\$57,367,000) at a rate of 0.38%, excluding the margin. With these swaps, the rate is fixed at 1.68% for 90% of the €42,412,000 debt.

### Purchase and Construction Contract - Plateau de Savernat Wind Power Project

On February 18, 2016, the Corporation entered into a wind turbine purchase and construction contract for the **Plateau de Savernat** wind power project. The Corporation's net commitment under this contract amounts to \$16,950,000 (€11,280,000). Expenditures will be made according to the percentage of completion.