Boralex.

Annual Report

08

Profile

Boralex is a major private electricity producer whose core business is the development and operation of power stations that run on renewable energy.

Employing over 300 people, the Corporation owns and operates 21 power stations with a total installed capacity of 351 MW in Canada, in the Northeastern United States and in France. In addition, the Corporation has more than 300 MW of power projects under development. Boralex is distinguished by its diversified expertise and in-depth experience in three power generation segments: **wind**, **hydroelectric** and **thermal**. Boralex shares are listed on the Toronto Stock Exchange under the ticker symbol BLX.

Boralex also holds a 23% interest in Boralex Power Income Fund, which has 10 power stations with a total installed capacity of 190 MW in Québec and the U.S. These sites are managed by Boralex.

Financial Highlights

(in thousands of dollars, unless otherwise specified)	2008	2007 (1)	2006	2005
OPERATIONS				
Revenue from energy sales	**197,246**	163,338	120,002	108,696
Share in earnings of the Fund	**7,826**	6,830	10,023	8,873
EBITDA (2)	**68,909**	61,284	42,822	34,084
Net earnings excluding specific items – non-GAAP measure (3)	**20,396**	17,551 (3)	14,721	20,771
Net earnings	**20,396**	21,545	14,721	20,771
Cash flows from operations (2)	**55,274**	51,548	24,518	26,219
INVESTMENTS				
Additions to property, plant and equipment	**44,577**	22,478	19,201	135,753
Development projects	**5,617**	4,609	848	511
Business acquisitions	**5,781**	-	6,749	18,642
FINANCIAL POSITION				
Cash and cash equivalents	**69,195**	79,195	13,899	10,615
Property, plant and equipment	**330,443**	258,712	280,136	260,783
Investment (4)	**69,348**	67,321	75,553	77,997
Total assets	**623,498**	514,731	476,030	427,838
Long-term debt	**158,035**	148,747	192,493	164,832
Shareholders' equity	**363,085**	284,769	182,033	164,093
CLASS A SHARE DATA				
Net earnings excluding specific items per share (basic – in dollars) - non-GAAP measure (3)	**0.54**	0.51	0.49	0.69
Net earnings per share (basic – in dollars)	**0.54**	0.63	0.49	0.69
Shareholders' equity per share outstanding at the end of the period (in dollars)	**9.62**	7.60	6.06	5.47
Weighted average number of shares outstanding (in thousands)	**37,740**	34,403	30,034	29,987
Shares outstanding, end of period (in thousands)	**37,741**	37,455	30,050	29,989
RATIO				
Long-term debt/total capitalization	**25.2%**	26.2%	55.7%	54.3%

(1) Certain 2007 data have been reclassified to reflect the presentation adopted in 2008.
(2) Earnings before interest, taxes, depreciation and amortization (EBITDA) and cash flows from operations are not a measure of performance under Canadian generally recognized accounting principles. Refer to management's discussion and analysis of operating results and financial position on pages 15 to 17.
(3) For more details on specific items excluded from net earnings, see *Additional Information about Non-GAAP Performance Measures* of this MD&A. In 2007, Boralex recorded a $4.0 million gain, net of taxes, subsequent to the termination of hedging relationships.
(4) The investment represents the Corporation's interest in the Fund.

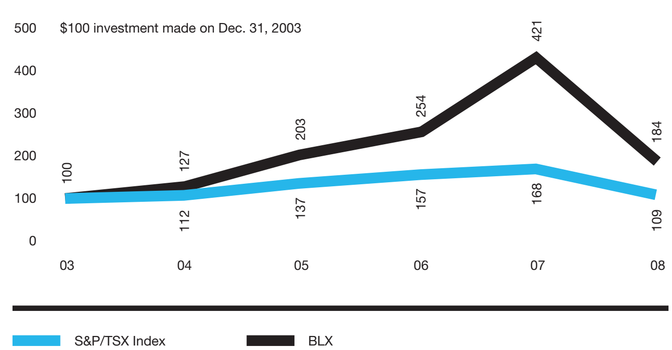
STOCK DATA

SECURITIES	Class A Shares
SYMBOL	BLX
EXCHANGE	Toronto
PRINCIPAL SHAREHOLDER (AS AT DECEMBER 31, 2008)	Cascades Inc. 34%

TRADING ON CLASS A SHARES

Fiscal year ended	Shares issued and outstanding	High	Low	Closing price
December 31, 2008	37,740,921	$ 18.00	$ 6.22	$ 7.55
December 31, 2007	37,454,625	$ 19.00	$ 10.50	$ 17.25

GROWTH IN BLX STOCK PRICE (TSX)



Highlights of Fiscal 2008:

In 2008, Boralex delivered the best operational performance in its history, capitalizing on its expertise in running power stations and on its solid assets and balance sheet.

proactive

PERFORMANCE

- Production volume of 1,623,293 MWh, up 5%
- $197.2 million in revenue from the sale of energy, for growth of 21%
- Record EBITDA of $68.9 million, up 12%
- Net earnings of $20.4 million or $0.54 per share (basic) compared to $21.5 million or $0.63 per share (basic) in 2007

REINFORCEMENT

- $55,3 million in cash flow from operations, an increase of 7%
- $59.7 million invested by Boralex in 2008 to develop and consolidate its leadership in the market
- Net debt repayment of $19.1 million
- Stronger balance sheet: ratio of total net debt to total net capitalization on the books of 25% as at December 31, 2008

Boralex has given itself the tools to effectively confront the world economic slowdown, while continuing to emphasize its leading position in the generation of green and renewable energy.

Wind Power

Development in France and implementation on the Canadian market

- Increase of 10% in revenue and 5% in EBITDA, despite unfavourable weather conditions in France in the latter half of the year
- Investments of $41.6 million in capital assets and development
- 4.6 MW expansion of the installed capacity at Avignonet-Lauragais (France)
- Selection of the Boralex — GazMétro consortium to start up two wind farms by 2013 with a total installed capacity of 272 MW on the land of the Seigneurie de Beaupré (Québec), with 20-year power sales contracts
- Commencement of work for the scheduled start-up, in the third quarter 2009, of the phase I, totalling 40 MW, of the Thames River wind site with a total capacity of 90 MW in the south of Ontario, with 20-year power sales contracts
- Acquisition of the rights to develop a second wind farm, Merlin-Buxton, in southern Ontario, also with a potential total capacity of 90 MW
- Strengthening of Boralex's expertise in preventive wind turbines maintenance and development of new remote management tools
- Partnership project to eventually start up a wind farm in Italy

Wind power could become Boralex's chief source of growth and profits within three to five years.

Hydroelectric Power

A continual and reliable contribution to Boralex's results

- 30% increase in revenue and 46% in EBITDA due to positive hydrology and an increase in the average electricity selling price
- Purchase of new software to manage and plan power station maintenance
- Signature of an agreement to purchase a power station with an installed capacity of 14.5 MW in northern British Columbia, with current generation of 2 MW tied to a long-term power sales contract, as well as rights to develop two other projects in the same area with a potential additional capacity of 10 MW
- Steps taken to develop hydroelectric projects in partnership with certain communities in Québec

Boralex will draw on its long experience in this field to expend its presence to regions in Canada that have good hydroelectric potential.

Thermal Power

Record performance in 2008

- 21% increase in revenue and 22% in EBITDA in the wood-residue thermal power segment
- REC sales of $37.4 million, up 51% over 2007, due to qualification of a third facility located in Ashland (Maine) for the Connecticut program and the full contribution of Livermore Falls (Maine), which qualified in 2007
- 4% increase in power generation by the wood-residue thermal power stations thanks to good availability and the reactivation of Stacyville in order to take advantage of higher electricity selling prices, particularly in the first nine months of the year
- Capacity premiums of $4.9 million awarded to the wood-residue segment by the Forward Capacity Market
- Implementation of power sales contracts and other coverage to secure the sale of 70% of the electricity production expected in 2009 at good fixed prices
- Firm agreements for the forward sale of US$34.7 million in RECs by December 2012, including more than 80% of the anticipated production of 2009
- Finalization of 2006-2008 global performance optimization program: investment of additional $11.7 million in equipment upgrades and strengthening of wood-residue supply agreements
- $12.5 million in renewable energy production tax credits
- 31% increase in revenue from the natural gas cogeneration plant in France, but EBITDA stable due to increase in cost of natural gas
- $1.1 million in sales of excess CO_2 quota
- For 4th consecutive year, interruption from April 1 – October 31 of cogeneration activities due to high cost of natural gas and cap on selling price during the summer

The wood-residue segment has taken proactive steps to counter the impact of the economic slowdown and protect its profitability and cash flows in 2009.

Message to Shareholders

Boralex's fiscal 2008 was a year of solid financial performance, intense development — especially in the Canadian wind power market — and general strengthening of our expertise, operating methods and balance sheet. We also introduced a number of proactive measures and adjusted our investment strategy so that we can effectively face the current economic crisis while continuing to consolidate our leadership as a producer of green and renewable energy.

RECORD OPERATIONAL PERFORMANCE IN 2008

Boralex delivered its best operational results ever in 2008. Revenue from energy sales grew nearly 21% to $197.2 million, and EBITDA reached a historic peak of $68.9 million, up by more than 12% over the previous year. Excluding the exceptional pre-tax gain of $5.9 million recognized in 2007 due to the termination of the hedging relationships for certain interest rate swaps and the extraordinary gain realized with the creation of the Boralex Power Income Fund in 2002, the Corporation would have recorded its highest net earnings from operations in its history in 2008. Net earnings amounted to $20.4 million or $0.54 per share ($0.54 diluted). Boralex also generated more than $55 million in cash flow from operations, strengthening its financial position even more despite significant investments made during the year.

Although all segments contributed to the growth in results, performance was mainly driven by the wood-residue segment in the Northeastern United States. Revenue in this segment rose by more than $24 million and EBITDA by $7.4 million, due to qualification for the REC program of a fourth power station, the increase in power generation volume, and higher electricity selling prices on the New England open market. While it is true that this performance was enhanced by the positive business context in 2008, these results stem primarily from efforts over the last three to four years to better position this segment in the emerging REC market, and to the introduction of a global operating optimization program which has entailed investments of $21.2 million since 2006, including $8.3 million in 2008.

The wind power segment, despite significantly lower average wind conditions in the second half of the year, also increased its contribution to consolidated results, largely due to the start up in April 2008 of the new wind turbines at Avignonet-Lauragais. Furthermore, in conjunction with good hydrology in 2008, increases in electricity selling prices in the Northeastern U.S. also grew revenue and EBITDA in the hydroelectric segment. Lastly, despite an increase in revenue, the profitability of the natural gas cogeneration plant in France was comparable to that of last year.

Investments: close to $60 million allocated in 2008 to power generation infrastructure and development projects

In 2008, the largest investments — close to $42 million — were spent on the wind power segment, which will spearhead Boralex's expansion over the next three to five years. Boralex allocated the major portion its forceful entry into the wind power market in Canada. Among other things, we started working actively on projects purchased in 2007 in Southern Ontario, where Boralex plans to build nine wind farms totalling 90 MW before 2011. The project, named Thames River, has 20-year power sales contracts with a rate of $110/MWh, including an annually indexed portion. Construction is underway on phase I of the Thames River project, namely the first four farms (40 MW), which should be operational during the third quarter of 2009. This new asset base will start contributing to Boralex's operating profitability and cash flows in fiscal 2009. Also, in July 2008, Boralex purchased the rights to a second wind power project — Merlin-Buxton — with a potential installed capacity of approximately 90 MW, in Southern Ontario as well. Our plan is to leverage the solid expertise Boralex has developed operating wind farms in France to build a significant presence in Ontario, a region that has good prospects for renewable power production.

In May 2008, to our great satisfaction, the consortium formed by Boralex and Gaz Métro Limited Partnership was awarded a contract following Hydro-Québec's request for proposals to begin commercial operations, by late 2013, of two wind farms with a total capacity of 272 MW on the Seigneurie de Beaupré lands, a site with exceptional wind power potential that belongs to the Séminaire de Québec. In addition, given that these projects will have very few visual, sound and environmental impacts, the Bureau d'audiences publiques sur l'environnement informed us that public hearings will not be required. In October 2008, the 20-year power sales contracts with Hydro-Québec were approved by the Régie de l'énergie du Québec.

In 2008, we also signed an agreement to purchase a hydroelectric power station in Northern British Columbia with an installed capacity of 14.5 MW. This plant currently has a long-term contract to produce 2 MW and has the potential to generate nearly 35 MW. The Corporation also acquired rights to develop two other hydropower projects in the same region, for an additional 10 MW.

The Canadian projects that we hope to complete over the next three to five years will double Boralex's total installed capacity and quadruple its installed wind power capacity; in addition, they all have long-term power sales contracts. If all the projects are completed, not only will they increase Boralex's geographic and segment diversification, one of the pillars of its growth strategy, but will also mean that 65% of its total installed capacity will be secured under long-term power sales contracts.

Outlook: Boralex is ready to take on the challenges and seize the opportunities presented by the world economic crisis

As Boralex begins fiscal 2009, Management will act prudently, but with confidence. During the current financial crisis, we will continue to be rigorous and disciplined in our investment projects and asset management. Our main goal for 2009 will be to maximize the operating profits and cash flows generated by our power stations. We will also seek to optimize our sources of financing, including non-traditional sources, to be able to take advantage of development opportunities that meet our investment criteria.

Overall, we believe that Boralex is well positioned and equipped to cope with the current economic situation. At this point in time, 35% of our installed capacity is tied to long-term power sales contracts, and this figure will rise to 42% in 2009 when our first wind farms in Ontario begin commercial operations. For this significant part of our assets, the current economic climate has little effect on operating results, although if the crisis in financial markets persists, it could slow down future development.

We believe that in 2009, the performance of Boralex's facilities that are not covered by long-term contracts (mainly in the wood-residue segment) will be partly protected by measures implemented in recent quarters. Foreseeing a drop in electricity prices on the New England open market, the wood-residue segment arranged forward contracts and hedging mechanisms to secure the sale of about 496,000 MWh in 2009, at fixed prices that are higher than current market prices and comparable to those obtained in 2008. In addition, as at December 31, 2008, Boralex had firm commitments totalling US$34.7 million for REC deliveries on the Connecticut market to December 31, 2012, including more than 80% of the anticipated production for fiscal 2009. Although in 2009 the wood-residue segment may have difficulty equalling the record results of 2008, we expect that it will maintain its good performance thanks to these initiatives, which exemplify our expertise in marketing electricity and RECs. Note also that oil prices that are lower than the peaks in 2008 should help the performance of this segment by reducing fuel transportation costs.

With respect to development, until the financial crisis is resolved, we will focus on projects that offer potential for returns and cash flows in the short term. The upcoming start-up of the Thames River phase I site (40 MW) in Ontario fits in well with this investment strategy. For the Seigneurie de Beaupré wind farms, the major expenditures will mainly be incurred in 2012 and 2013. Furthermore, given the acquisition opportunities that the financial crisis will create, Boralex will be looking for opportunities to acquire energy facilities that are already operational or development projects that already have long-term power sales contracts, predominantly in Canada and France.

Our decision to focus on projects with potential short-term returns does not mean that we are neglecting Boralex's long-term development. We will continue to actively explore various avenues that have a longer-term horizon, as long as such projects do not require any significant capital investment, financial commitment or other type of commitment. Such projects include our wind power project in Italy, as well as a gasification project in Québec. We have also begun to sign land leases in France and Spain where we plan to set up a solar energy production base when the time is right.

In short, Boralex will make it through this period of uncertainty in an efficient and profitable manner, while continuing to consolidate its leadership in the field of green and renewable power. Note that although we have considerable expertise in development, Boralex is above all an experienced and efficient operator of energy assets, and a generator of significant and stable operating profits and cash flows. Our diversification, both in terms of renewable energy production and in geographic locations, decreases our operational risk. Lastly, the Corporation is in a solid financial position, with cash assets of close to $70 million and a total net debt to invested capital ratio of barely 25% as at December 31, 2008.

In a broader perspective, Boralex is operating in one of the most promising niches in the energy market, if not the most promising. As evidenced by the support and incentives for the development of renewable energy initiated by most governments in industrialized countries, including the European Union and the new federal administration in the United States.

That being said, we will not lose sight of the fact that our main strength lies in the skills, creativity, dedication and stability of our people. These qualities form the basis of Boralex's operational and financial health and are the source of its remarkable performance in recent years. They will also be the Corporation's most precious asset in its efforts to emerge stronger than ever from the turbulent period we are now going through. We wish to warmly congratulate and thank all of Boralex's employees. We would also like to thank the members of Boralex's Board of Directors, its shareholders and its business partners for their support and confidence in us.

"Patrick Lemaire" *(signed)*	*"Bernard Lemaire"* *(signed)*
Patrick Lemaire President and Chief Executive Officer	**Bernard Lemaire** Executive Chairman of the Board March 2009

Management's Discussion and Analysis

for the year ended December 31, 2008

DESCRIPTION OF BUSINESS

Boralex Inc. ("Boralex" or the "Corporation") is a private electricity producer whose core business is the development and operation of power stations that run on renewable energy. Employing over 300 people, the Corporation owns and operates 21 power stations with a total installed capacity of 351 MW in Canada, in the Northeastern United States and in France.

Boralex is distinguished by its diversified expertise and in-depth experience in three power generation segments:

- In recent years, Boralex has become one of the biggest and most experienced wind power producers in France, where it currently operates seven wind farms, including 68 wind generators, with a total installed capacity of 108 MW. In addition, Boralex is currently developing major wind power projects in Canada, including the Seigneurie de Beaupré wind farms in Québec, with a total capacity of 272 MW to be commissioned in 2013, as well as the Thames River wind farm in Ontario with a total potential capacity of 90 MW, whose phase I is expected to come on-stream in 2009.
- Boralex has more than 15 years' experience generating hydroelectric power. It currently owns seven hydroelectric power stations, five in the U.S. and two in Québec with a total installed capacity of 25 MW. In addition, the Corporation recently entered into a purchase agreement for a hydroelectric power station with an installed capacity of 14.5 MW in British Columbia, currently generating 2 MW, as well as for two projects under development in the same region representing an additional 10 MW.
- Boralex owns and operates seven thermal power stations, with a total installed capacity of 218 MW. The Corporation is North America's largest producer of wood-residue energy, with six thermal power stations located in the U.S. with a combined installed capacity of 204 MW. Boralex also operates a 14 MW natural gas cogeneration power station in France.

In addition to its own power stations, Boralex manages ten power stations in Québec and the Northeastern U.S. with a total installed capacity of 190 MW for the Boralex Power Income Fund (the "Fund"), in which it holds a 23% interest.

Boralex's stock, in which Cascades Inc. holds a 34% interest, trades on the Toronto Stock Exchange under the ticker symbol BLX.

INTRODUCTORY COMMENTS

GENERAL

This Management's discussion and analysis ("MD&A") reviews the operating results and cash flows for the three-month and twelve-month periods ended December 31, 2008, compared with the corresponding quarter and year ended December 31, 2007, as well as the Corporation's financial position at such dates. It should be read in conjunction with the audited consolidated financial statements and related notes found in the Corporation's Annual Report for the fiscal year ended December 31, 2008.

Additional information about the Corporation, including the annual information form, previous annual reports, MD&As and interim financial statements, as well as press releases, are published separately and are available on the SEDAR website (www.sedar.com).

In this MD&A, "Boralex" or the "Corporation" means, as applicable, either Boralex Inc. and its subsidiaries and divisions or Boralex Inc. or one of its subsidiaries or divisions, as well as the variable interest entities of which it is the primary beneficiary.

The information contained in this MD&A reflects all material events up to February 25, 2009, the date on which the Board of Directors approved the consolidated financial statements and this MD&A.

Unless otherwise indicated, all financial information, as well as tabular information, is in Canadian dollars.

NOTICE CONCERNING FORWARD-LOOKING STATEMENTS

The purpose of this MD&A is to help the reader understand the nature and importance of changes and trends, as well as the risks and uncertainties, that may affect Boralex's operating results and financial position. Accordingly, some of the statements contained in this analysis, including those regarding future results and performance, are forward-looking statements, within the meaning of securities legislation. These statements are characterized by the use of positive or negative verbs, such as plan, anticipate, evaluate, estimate, believe and other related expressions. They are based on Boralex Management's expectations, estimates and assumptions as at February 25, 2009.

Boralex would like to point out that, by their very nature, forward-looking statements involve risks and uncertainties such that its results or the measures it adopts could differ materially from those indicated by or underlying these statements, or could have an impact on the degree of realization of a particular projection.

The main factors that could lead to a material difference between the Corporation's actual results and the projections or expectations set forth in the forward-looking statements include, but are not limited to, the general impact of economic conditions, increases in the costs of raw materials, currency fluctuations, volatility in the selling price of electricity, the Corporation's financing capacity, negative changes in general market and industry conditions, as well as other factors described later in *Outlook* and *Risk Factors and Uncertainties* in this MD&A. Unless otherwise specified by the Corporation, the forward-looking statements do not take into account the possible impact on its activities of transactions, non-recurring items or exceptional items announced or occurring after the statements are made.

There can be no assurance as to the materialization of the results, performance or achievements as expressed or implied by forward-looking statements. The reader is cautioned not to place undue reliance on such forward-looking statements. Unless required to do so under applicable securities legislation, Boralex Management does not assume any obligation to update or revise forward-looking statements to reflect new information, future events or other changes.

COMPLIANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

Unless otherwise indicated, the financial information presented in this MD&A, including tabular amounts, is prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). This MD&A also contains measures that are not standardized measures according to GAAP. Thus, Boralex uses, for management purposes, earnings before interest, taxes, depreciation and amortization ("EBITDA"), as this method allows Management to assess the operating and financial performance of the Corporation's various segments.

Moreover, in analyzing changes in its financial position, the Corporation uses cash flows from operations, which is equal to cash flows related to operating activities before change in non-cash working capital items. Both Management and investors use this indicator to measure the Corporation's ability to finance its expansion projects from its operating activities.

Please see *Additional Information about Non-GAAP Performance Measures* in this MD&A for a reconciliation between EBITDA and cash flow from operations with certain line items in Boralex's consolidated statements of earnings and consolidated statements of cash flows.

DISCLOSURE CONTROLS AND PROCEDURES

Pursuant to Canadian Securities Authorities National Instrument 52-109, Management is responsible for establishing and maintaining the Corporation's disclosure controls and procedures to provide reasonable assurance that material information related to Boralex is made known to it in a timely manner. Management is assisted in this responsibility by the Disclosure Committee, which is composed of executive officers of the Corporation. The Disclosure Committee requires that it be fully apprised of any material information affecting Boralex so that it may evaluate and discuss this information and determine the appropriateness and timing of its public release.

The Chief Executive Officer and the Chief Financial Officer have evaluated the effectiveness of the Corporation's disclosure controls and procedures as it relates to Boralex's 2008 Annual Report based on criteria set forth in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") and have concluded that the Fund's disclosure controls and procedures are adequate and effective to ensure that material information relating to the Fund would be known to them.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is also responsible for the design and effectiveness of the Corporation's internal control over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

The Chief Executive Officer and the Chief Financial Officer have evaluated the effectiveness of the Corporation's internal control over financial reporting based on criteria set forth in COSO's *Internal Control – Integrated Framework* for the financial year ended December 31, 2008, and they believe them to be effective.

CHANGES TO INTERNAL CONTROL OVER FINANCIAL REPORTING

In the second, third and fourth quarters of 2008, Boralex implemented a new IT system for consolidation procedures. This change did not result from any deficiency in existing controls prior to implementation, but rather from the need to streamline the consolidation process. During system implementation, additional controls were put in place to ensure the ongoing effectiveness of control procedures. In addition, Management confirmed that the re-engineering of the consolidation process did not affect overall control effectiveness, although certain key controls were optimized following the implementation of the new system. Accordingly, Management was able to conclude that during the financial year ended December 31, 2008 there were no changes in internal control over financial reporting that materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

SEASONALITY

(in thousands of dollars, except amounts per share and number of shares)				2008
QUARTERS ENDED	MARCH 31(1)	JUNE 30	SEPTEMBER 30	DECEMBER 31
REVENUE FROM ENERGY SALES				
Wind power stations	**10,065**	**6,677**	**5,859**	**7,942**
Hydroelectric power stations	**3,790**	**3,200**	**1,920**	**2,844**
Wood-residue thermal power stations(2)	**33,877**	**27,113**	**37,866**	**37,040**
Natural gas thermal power station	**6,723**	**2,675**	**3,165**	**6,490**
Corporate and eliminations	**-**	**(1)**	**1**	**-**
	54,455	**39,664**	**48,811**	**54,316**
EBITDA				
Wind power stations	**8,504**	**5,117**	**4,361**	**6,059**
Hydroelectric power stations	**3,034**	**2,391**	**847**	**1,647**
Wood-residue thermal power stations	**11,071**	**6,795**	**13,558**	**9,064**
Natural gas thermal power station	**1,321**	**(204)**	**(157)**	**1,378**
Corporate and eliminations	**(39)**	**(1,450)**	**(1,844)**	**(2,544)**
	23,891	**12,649**	**16,765**	**15,604**
NET EARNINGS	**9,221**	**1,135**	**5,657**	**4,382**
Per share (basic – in dollars)	**0.25**	**0.03**	**0.15**	**0.12**
Per share (diluted – in dollars)	**0.24**	**0.03**	**0.15**	**0.12**
Weighted average number of common shares outstanding (basic)	**37,566,967**	**37,818,503**	**38,247,112**	**37,740,921**

(in thousands of dollars, except amounts per share and number of shares)				2007
QUARTERS ENDED	MARCH 31(1)	JUNE 30(1)	SEPTEMBER 30(1)	DECEMBER 31(1)
REVENUE FROM ENERGY SALES				
Wind power stations	8,269	4,930	5,977	8,554
Hydroelectric power stations	3,079	2,859	677	2,524
Wood-residue thermal power stations	33,360	22,839	25,689	29,973
Natural gas thermal power station	6,094	1,725	1,933	4,857
Corporate and eliminations	–	–	–	(1)
	50,802	32,353	34,276	45,907
EBITDA				
Wind power stations	7,059	3,863	4,883	7,021
Hydroelectric power stations	2,082	2,191	(489)	1,651
Wood-residue thermal power stations	12,185	2,741	7,452	10,674
Natural gas thermal power station	2,101	(321)	(225)	717
Corporate and eliminations	2,209	(1,425)	(1,697)	(1,388)
	25,636	7,049	9,924	18,675
NET EARNINGS	9,776	4,838	1,017	5,913
Per share (basic – in dollars)	0.33	0.15	0.03	0.16
Per share (diluted – in dollars)	0.32	0.15	0.03	0.15
Weighted average number of common shares outstanding (basic)	30,061,484	32,526,623	37,454,625	37,454,625

(1) Certain items prior to the 2008 second quarter have been reclassified to conform to the presentation adopted during this period.
(2) Also, to comply with the presentation adopted in the third quarter of 2008, amounts of $459,000 and $698,000 related to cost incurred for selling RECs, formerly reported in operating expenses have been reclassified to revenue from energy sales for the first and second quarters of 2008.

Operations and results for some of the Corporation's power stations are subject to seasonal cycles that vary by segment. Moreover, the impact of seasonal variations differs, depending on whether the power stations have power sales contracts or not.

For the 13 Boralex power stations that have long-term fixed-price power sales contracts, seasonal cycles mainly affect the volume of power generated. The eight power stations that do not have long-term contracts and that sell their power on the open market in the Northeastern U.S. are more vulnerable to seasonal fluctuations which, in addition to influencing generation volumes, also have an impact on prices obtained. Generally, electricity consumption increases in the winter and summer, which corresponds to Boralex's first and third quarters. This means that, for those two periods, the power stations that sell on the open market usually have higher average prices. Because the wood-residue power stations can control their level of production, they generate more power during such peak periods. For this reason, these power stations perform regular maintenance in the spring or fall, which impacts their operating results for those periods.

Hydroelectric generation depends on water flow, which in Québec and the Northeastern U.S. tends to be at its maximum in spring and generally good in the fall, which represents Boralex's second and fourth quarters. Historically, water flow tends to decrease in winter and summer. Note that Boralex's hydroelectric facilities do not have reservoirs that would permit the regulation of water flows.

In the wind power segment, where Boralex's activities are for the time being focused in France, wind conditions are usually more favourable in the winter, which falls during Boralex's first and fourth quarters. However, in winter there is a higher risk of downtime caused by weather conditions, such as icing at high-altitude sites.

The natural gas cogeneration power station's long-term power sales contract with Électricité de France ("EDF") contains a clause that caps electricity prices from April to October. When natural gas prices are high, the profit margin for this period is not sufficient to offset the ceiling on electricity prices. The cogeneration equipment may therefore be shut down, in which case the Corporation supplies its steam client from an auxiliary boiler. Accordingly, in the past four fiscal years, the Corporation operated its cogeneration equipment only during the five winter months.

Furthermore, Boralex's investment in the Fund is also subject to a seasonal cycle. Approximately 50% of the Fund's output is hydroelectric and thus subject to the same effects on volumes as Boralex's hydroelectric power stations. However, as all of the Fund's power stations have long-term contracts, they are not subject to a seasonal price cycle. Nevertheless, some of the Fund's power stations receive a premium for power generated from December to March, which typically results in higher profitability for the Fund in the first and fourth quarters.

In short, although Boralex's performance is affected by seasonal cycles, the Corporation attenuates their impact to some extent by increasingly diversifying its power generation sources and the geographic positioning of its assets. The Corporation is also developing complementary revenue streams in order to increase and secure revenues. It participates, for example, in the Renewable Energy Certificates ("RECs") market and the Forward Capacity Market in the Northeastern U.S., as well as in the carbon ("CO_2") credit trading market and the green certificate market in France.

SUMMARY OF CONSOLIDATED INFORMATION FOR THE PAST THREE FISCAL YEARS

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

OPERATING RESULTS

	YEARS ENDED		
	DECEMBER 31,	DECEMBER 31,	DECEMBER 31,
	2008	2007(1)	2006
Revenue from energy sales	**197,246**	163,338	120,002
EBITDA	**68,909**	61,284	42,822
Net earnings excluding specific items – non-GAAP measure(2)	**20,396**	17,551	14,721
Per share (basic - in dollars)	**0.54**	0.51	0.49
Per share (diluted – in dollars)	**0.54**	0.50	0.48
Net earnings	**20,396**	21,545	14,721
Per share (basic - in dollars)	**0.54**	0.63	0.49
Per share (diluted – in dollars)	**0.54**	0.62	0.48
Weighted average number of common shares outstanding (basic)	**37,739,840**	34,403,033	30,033,885

BALANCE SHEET DATA

As at December, 31	**2008**	2007(1)	2006
Total assets	**623,498**	514,731	476,030
Total debt(3)	**187,445**	175,533	234,328
Shareholders' equity	**363,085**	284,769	182,033

(1) Certain 2007 data have been reclassified to conform to the presentation adopted in 2008.

(2) For more details on specific items excluded from net earnings, see *Additional Information about Non-GAAP Performance Measures* in this MD&A. In 2007, Boralex recorded a $4.0 million gain, net of income taxes, subsequent to the termination of hedging relationships.

(3) Including long-term debt and current maturities, as well as bank loans and advances, where applicable.

HIGHLIGHTS OF THE LAST THREE FISCAL YEARS

WOOD-RESIDUE SEGMENT PARTICIPATES IN THE CONNECTICUT AND NEW YORK STATE REC MARKETS

In 2005, the State of Connecticut implemented a REC program with an initial duration of five years until 2010. Over the course of 2007, the State of Connecticut announced its decision to extend the REC program for another ten years until 2020. Under this program, the State requires electricity distributors to provide a minimum quantity of green energy, based on a scale that will rise annually from 1.5% at the start of the program in 2005 to 20% in 2020. Distributors must obtain this energy from qualified producers of renewable energy, who will receive for each megawatthour ("MWh") produced a premium over and above the base electricity price. RECs are officially awarded to qualified producers each quarter, at a rate of one certificate for each MWh produced, subject to the condition that the average level of atmospheric emissions is maintained below the quarterly regulatory limit.

Boralex's power station located in Stratton (Maine) qualified for Connecticut's REC program in 2005, followed by the Livermore Falls (Maine) station in the fourth quarter of 2007 with retroactive effect to April 1, 2007. In early 2008, a third power station, located in Ashland (Maine) started participating in this program. In fiscal 2008, Boralex's revenues from the Connecticut REC market totalled $35.4 million (US$33.4 million). In addition to selling almost all of their REC production for 2008, the Stratton, Livermore Falls and Ashland power stations signed forward contracts to sell part of their projected production from 2009 to 2012. As of December 31, 2008, all these contracts represented total future revenues of $42.5 million (US$34.7 million).

Furthermore, in February 2006, the Chateaugay power station (New York) qualified for the REC program in New York State, which operates differently from the market in Connecticut. The Chateaugay facility negotiated and signed a ten-year agreement with an agency in New York State that gives the facility an additional guarantee for the price at which it sells its electricity, effective April 1, 2006. The Chateaugay facility thus reported $2.0 million (US$1.8 million) in REC sales during fiscal 2008.

Boralex's four wood-residue power stations currently selling RECs have a combined installed capacity of 150 MW, or 73.5% of the total capacity of the wood-residue segment. In fiscal 2008, these four stations generated total revenues of $37.4 million from REC sales compared with $24.8 million in 2007, which have the added advantage of being reflected directly in operating earnings for the most part.

The same applies to recurring payments by the Forward Capacity Market, put in place by ISO New England for the benefit of energy producers, particularly wood-residue power stations. In 2008, this mechanism boosted the revenues and EBITDA of Boralex's wood-residue segment by an additional $4.9 million. An amount of

$0.5 million was also received by hydroelectric power stations under a similar program in New York State.

Although REC market prices have fallen somewhat since the end of the third quarter of 2008 due to current economic conditions, Boralex Management is of the opinion that, in the medium term, the REC market is a potentially interesting source of revenue and recurring earnings for its wood-residue segment until 2020. As new energy supplies coming into the Northeastern U.S. market in coming years will be constrained by economic conditions, REC prices should start rising again to some extent.

It should also be noted that in Europe there is a green credit trading system, in which certain Boralex wind power sites in France participate. As the system operates on a voluntary basis, it does not generate significant revenue for the Corporation (about $0.9 million in 2008). However, if the program is made mandatory, Boralex wind farms would have a significant quantity of green certificates for trading.

TAX CREDITS FOR WOOD-RESIDUE THERMAL POWER STATIONS AND MONETIZATION

Since the *American Jobs Creation Act,* passed by Congress, Boralex's wood-residue thermal power stations can benefit, based on their electricity production, from non-refundable tax credits that can be carried forward. This tax credit is awarded to producers of renewable energy if their type of production meets the qualifying criteria. This program, which started on January 1, 2005, is scheduled to run for five years (to the end of 2009) for wood-residue thermal power stations. The credit is calculated by multiplying production by a unitary factor that may change from year to year. The factor was set at US$9.00 per MWh for 2005, and at US$10.00 per MWh for 2006 and after. In respect of these tax credits, Boralex recorded revenues of $11.0 million in 2005, $10.6 million in 2006, $12.0 million in 2007 and $12.5 million in 2008.

On December 1, 2006, Boralex closed a transaction with financial investors for the monetization of U.S. renewable energy tax credits to which its wood-residue thermal power stations are entitled until 2009. The main objective of the monetization transaction was to strengthen the working capital of Boralex's U.S. subsidiary and provide it with greater financial flexibility to pursue its current operations and investment projects. The transaction also enabled the subsidiary to benefit from the time value of money, and maximize the realizable value of tax credits.

Boralex transferred the tax credit to those investors by means of a temporary transfer of indirect equity interests in some of the U.S. wood-residue thermal power stations. In return, Boralex received US$14.5 million ($16.7 million) at closing, along with a US$12.8 million contingent payment note. These amounts represent the discounted value of the tax credits that will be generated between the transaction date and December 31, 2009, the date when the federal tax credit program ends. The contingent note will be repaid in quarterly instalments based on the actual amount of the tax credits earned by the power stations under the monetization program.

Furthermore, Boralex received a $68.0 million note repayable from the cash flows generated by the power stations, enabling Boralex to retain its rights to 100% of the earnings and liquid assets of the power stations in question.

In the Corporation's consolidated balance sheet, the cash consideration received in December 2006 appears as a liability under *Other liabilities* which will be incrementally recognized as revenue in the consolidated statement of earnings as the tax credits are earned. Amounts attributable to the discount granted and the estimated value of the interest call rights are posted to *Other liabilities* on the balance sheet and as *Financing costs* on the Corporation's statement of earnings.

Under this transaction, the Corporation has retained its full authority over the management of power stations pursuant to an operation and maintenance agreement; it also has call rights to buy back the wood-residue assets at certain times and for certain amounts. Boralex also retains the entire working capital cash flow of these power stations. Call rights are exercisable following final repayment of the contingent note.

GLOBAL PERFORMANCE OPTIMIZATION PROGRAM FOR WOOD-RESIDUE POWER STATIONS (2006-2008)

In 2006, amid volatile electricity prices, raw material scarcity and price inflation, Boralex initiated a three-year global performance improvement program for its wood-residue thermal power segment, mainly aimed at optimizing the segment's power stations, electricity sales and wood-residue supplies. To secure its supplies and better control raw material quality and cost, the segment has implemented an original strategy of partnership with local wood-residue harvesting businesses, which are now supplying more than 50% of U.S. thermal power stations. Moreover, these power stations dispose of storage areas with a total capacity of 300,000 tons, making it possible to maximize purchases during periods when prices are lowest. This initiative is accompanied by the implementation of a robust quality control program, a global performance optimization plan for the power stations supported by targeted investments over the past three fiscal years, as well as a series of other measures, particularly aimed at preventive maintenance. At the same time, Boralex has developed expertise and acquired sophisticated management tools for marketing electricity and RECs in the open market.

Combined with greater participation in the REC market, the award of U.S. tax credits for renewable energy production, and stable electricity prices, all of the above initiatives resulted in a sound improvement in the segment's financial performance over the past fiscal years, thereby significantly enhancing the Corporation's consolidated results.

EXPANSION OF THE WIND POWER SEGMENT

At the end of 2005, Boralex, through its subsidiary in France, commissioned three new wind power stations in France located on the Plateau d'Ally in Haute-Loire, Plateau de Cham de Cham Longe in Ardèche, and in Plouguin, Brittany. All of the power generated by these stations is sold to EDF under 15-year fixed-price agreements. With these three stations, comprising 42 wind turbines with a total installed capacity of 65 MW, Boralex raised its total installed capacity in wind power in France from 24 MW to 89 MW. The new wind farms began satisfactory operation during fiscal 2006 and 2007.

On June 25, 2007, Boralex concluded the refinancing of certain French credit agreements through a new €265 million master agreement, for the purpose of developing its wind power projects in France until 2010. Arranged by BNP Paribas S.A. in its capacity as principal bank and agent, this master agreement allows Boralex increased flexibility and funds availability in France, combined with improved financial conditions that take into account Boralex's wind farm experience.

On July 18, 2007, Boralex started up a seventh wind farm (13.8 MW) in France, La Citadelle, located in the communities of Saint-Agrève and Desaignes in Ardèche**.** It sells its entire production to EDF under a 15-year long-term power purchase agreement**.** The financing for this project was provided under the master agreement**.**

In April 2008, the Corporation increased the installed capacity of its wind power station in Avignonet-Lauragais (France) from 4.6 MW to 12.6 MW. Consequently, Boralex's wind power segment currently includes 68 wind turbines, all located in France, with total installed capacity of nearly 108 MW.

Over the past two fiscal years, Boralex began importing into Canada its leading-edge expertise acquired in the wind power segment in France**.**

On May 5, 2008, the consortium consisting of the Corporation and Gaz Métro Limited Partnership (the "Consortium") bid on Hydro-Québec's request for proposals for the implementation of 2,000 MW of wind power capacity in Québec, Canada. The Consortium was selected for two of three wind farm project proposals that they had developed, working closely with the Séminaire de Québec, and filed in September 2007. The selected projects are the wind farms located on the Seigneurie de Beaupré site owned by the Séminaire de Québec with capacities of 132.6 MW and 139.3 MW, respectively, (total of 272 MW) and will be commissioned in December 2013.

The Seigneurie de Beaupré site offers a number of key advantages, including exceptional wind power potential due to excellent wind conditions and its proximity to Hydro-Québec TransÉnergie interconnection lines. As the site is located far from any urban or residential areas, the visual, sound and environmental impacts will be all but non-existent. In addition, the necessary access roads are already in place. It is important to note that no request had been filed concerning the environmental aspects of the Seigneurie de Beaupré wind farms during the consultation period carried out by the Bureau d'audiences publiques sur l'environnement ("BAPE") in fall 2008. As a result, it will not be necessary to hold public hearings. Lastly, the Consortium is working with internationally recognized wind power system manufacturer Enercon, which will set up a high-quality wind turbine components plant in Québec.

In July 2007, the Corporation acquired the rights to acquire a group of sites in Southern Ontario (Thames River project) with a total capacity of 90 MW, and started construction of four of these wind farms of 10 MW each in September 2008, following their acquisition. Each farm has a 20-year power sales agreement with the Ontario Power Authority, which will purchase their entire production under the Renewable Energy Standard Offer Program. This will enable Boralex to obtain a rate of $110/MWh, including an annually indexed portion, for its wind power production. The acquisition of each of the five remaining sites is subject to the fulfilment of certain suspensive conditions. The Corporation has completed more than two years of on-site wind studies and obtained most of the required permits to start construction on the first four wind farms. The Corporation expects to obtain all required permits in 2009. The commissioning of phase I with a total of 40 MW is scheduled for the beginning of the third quarter of 2009. Boralex is currently working with a leading European bank to secure financing for the construction of phase I. The proposed financing should cover about 55% of the estimated project costs. The release of funds is subject to the final documentation of the credit agreement but this process is well underway and Boralex expects to close the financing arrangement at the beginning of the second quarter of 2009. The construction of foundations and cabling were finalized in early 2009. The turbines required to complete these four projects will be delivered in the second quarter of 2009 by Enercon, with whom Boralex has also signed agreements for the purchase of turbines required for the construction of two other wind farms, expected for the end of 2009. The Corporation intends to build the other wind farms during 2010.

On July 9, 2008, Boralex announced that it had acquired the rights for a wind project (Merlin-Buxton) with a potential installed capacity of approximately 90 MW in Southern Ontario. This strategic acquisition allows Boralex to reinforce its presence in Canada, mainly in a region favourable to the production of renewable energy, and in a sector where its expertise is recognized.

Once these projects have been completed, the Corporation's total installed capacity in the wind power segment in Canada will have increased threefold. Lastly, these projects dovetail with Boralex's geographical and segment diversification strategy.

EXPANSION IN THE HYDROELECTRIC SEGMENT

On June 11, 2008, Boralex entered into a purchase agreement to acquire a 14.5 MW power station of which 2 MW is currently being generated in Northern British Columbia. The closing of this deal is subject to the granting of certain regulatory approvals and consents typically required in such transactions. A portion of the output of this power station is sold to BC Hydro under a long-term energy sales contract. Given its hydroelectric potential, the installed capacity of this power station could potentially be increased to more than 35 MW. At the same time, Boralex also acquired the development rights for two other hydroelectric projects in the same region, representing an additional 10 MW.

CO_2 QUOTAS IN FRANCE

Following the adoption of the Kyoto Protocol in Europe, the European Union set up a mechanism in 2005 whereby companies that use fossil fuels are assigned a CO2 emission quota**.** According to this user-pay mechanism, on the reporting date the company must show that its quota is sufficient to justify its atmospheric emissions during the previous year**.** To comply with regulations, companies that exceed their quota must buy additional quota from others who are in a surplus position because they have reduced their level of atmospheric emissions**.**

Because Boralex's natural gas-fired power station in Blendecques (France) interrupted its cogeneration activities for seven months in 2005, 2006, 2007 and 2008, due to the high cost of natural gas, the facility had excess CO_2 quota. Over the past four fiscal years, the sale of excess CO_2 quota by this power station generated revenues of $5.8 million. Although potential sales of excess CO_2 quotas in 2009 by the station are limited by current economic conditions, Boralex Management believes that the user-pay approach implemented by the European Union and the new mechanisms that will be introduced in future years could lead to higher electricity prices, which would be beneficial for energy producers, particularly those who generate green energy.

CORPORATE FINANCING

On January 27, 2006, Boralex put in place long-term financing of $85 million consisting of a three-year revolving credit facility with two renewal options for a year, which were effectively exercised in January 2007 and 2008. The revolving credit is secured by Boralex's investment in the Boralex Power Income Fund ("the Fund"), with a limit based on the stock market value of Fund trust units. Given that the market value of the Fund's trust units has decreased since implementation of the revolving credit facility in the fourth quarter of 2008, Boralex requested and obtained that the authorized amount be reduced to $55.0 million as it was no longer in a position to draw down the full amount but was nonetheless required to pay standby fees on the credit facility's total amount.

On June 7, 2007, the Corporation announced the closing of its public offering of 7,333,334 Class A shares for gross proceeds of $110.0 million**.** The offering resulted in total net proceeds to Boralex of $105.3 million, which were used to temporarily reduce the amount borrowed on Boralex's revolving credit**.** This additional capital significantly strengthened the Corporation's balance sheet. It should be noted that the Corporation has never been exposed to asset-backed commercial paper**.**

SELECTED CONSOLIDATED INFORMATION FOR THE QUARTERS AND YEARS ENDED DECEMBER 31, 2008 AND 2007
(in thousands of dollars, except amounts per share and number of shares)

	QUARTERS ENDED		YEARS ENDED	
	DECEMBER 31, 2008	DECEMBER 31, 2007(1)	DECEMBER 31, 2008	DECEMBER 31, 2007(1)
REVENUE FROM ENERGY SALES				
Wind power stations	**7,942**	8,554	**30,543**	27,730
Hydroelectric power stations	**2,844**	2,524	**11,753**	9,139
Wood-residue thermal power stations	**37,040**	29,973	**135,897**	111,861
Natural gas thermal power stations	**6,490**	4,857	**19,053**	14,609
Corporate and eliminations	**–**	(1)	**–**	(1)
	54,316	45,907	**197,246**	163,338
EBITDA				
Wind power stations	**6,059**	7,021	**24,041**	22,826
Hydroelectric power stations	**1,647**	1,651	**7,919**	5,435
Wood-residue thermal power stations	**9,064**	10,674	**40,488**	33,052
Natural gas thermal power stations	**1,378**	717	**2,338**	2,272
Corporate and eliminations	**(2,544)**	(1,388)	**(5,877)**	(2,301)
	15,604	18,675	**68,909**	61,284
NET EARNINGS	**4,382**	5,913	**20,396**	21,545
Per share (basic – in dollars)	**0.12**	0.16	**0.54**	0.63
Per share (diluted – in dollars)	**0.12**	0.15	**0.54**	0.62
Weighted average number of common shares outstanding (basic)	**37,740,921**	37,454,625	**37,739,840**	34,403,033

(1) Certain 2007 data have been reclassified to conform to the presentation adopted in 2008.

ADDITIONAL INFORMATION ABOUT NON-GAAP PERFORMANCE MEASURES

In order to assess the performance of its assets and reporting segments, Boralex uses EBITDA and cash flows from operations. Although not performance measures under Canadian GAAP, Management believes that EBITDA and cash flows from operations are widely accepted financial measures used by investors to assess the performance of a company and its ability to generate cash through operations.

Nevertheless, since EBITDA is not a GAAP performance measure, it may not be comparable to similarly named measures used by other companies.

Investors should not view EBITDA as an alternative measure to, for example, net earnings, or as a measure of operating results or cash flows, or as a parameter for measuring liquidity. In the Boralex consolidated statement of earnings, EBITDA corresponds to *Operating earnings before amortization.*

The following table reconciles EBITDA to net earnings:

	QUARTERS ENDED		YEARS ENDED	
	DECEMBER 31,	DECEMBER 31,	DECEMBER 31,	DECEMBER 31,
(in thousands of dollars)	**2008**	2007[(1)]	**2008**	2007[(1)]
Net earnings	**4,382**	5,913	**20,396**	21,545
Non-controlling interests	**34**	34	**146**	(70)
Income tax expense	**1,825**	3,783	**11,321**	8,457
Financing costs	**3,836**	2,782	**13,807**	14,685
Financial instruments	**49**	752	**143**	(5,491)
Foreign exchange loss (gain)	**(834)**	(73)	**(1,437)**	531
Amortization	**6,312**	5,484	**24,533**	21,627
Consolidated EBITDA	**15,604**	18,675	**68,909**	61,284

(1) Certain 2007 data have been reclassified to conform to the presentation adopted in 2008.

To analyze its results, Boralex uses another non-GAAP performance measure, namely net earnings excluding specific items. This measure, which may not be comparable to similarly named measures reported by other companies since it is a non-GAAP measure, is mainly used to evaluate results excluding specific items. The measure also makes 2008 results comparable with those of 2007. The items excluded are those that Boralex deems unlikely to recur in coming years. The following table reconciles this measure with net earnings according to GAAP:

	QUARTERS ENDED		YEARS ENDED	
	DECEMBER 31,	DECEMBER 31,	DECEMBER 31,	DECEMBER 31,
(in thousands of dollars)	**2008**	2007	**2008**	2007
Net earnings – calculated according to GAAP	**4,382**	5,913	**20,396**	21,545
Retroactive recognition of Livermore Falls Q4-2007 RECs	**–**	(4,600)	**–**	–
Gain on termination of hedging relationships	**–**	–	**–**	(5,875)
Taxes	**–**	1,840	**–**	1,881
Net earnings excluding specific items	**4,382**	3,153	**20,396**	17,551
Per share (basic – in dollars)	**0.12**	0.08	**0.54**	0.51
Per share (diluted – in dollars)	**0.12**	0.08	**0.54**	0.50

Cash flows from operations are equal to cash flows related to operating activities before change in working capital. Management and investors use this measure to assess cash flows generated by the Corporation's operations and its capacity to finance its expansion from those assets. In light of the seasonal nature of the Corporation's operations and development activities, changes in non-cash working capital items can vary considerably. In addition, development activities result in significant changes in accounts payable during the construction period, as well as an initial injection of working capital at project start-up. Trade accounts receivable can also vary significantly when the Corporation qualifies for entry into new renewable energy markets. Accordingly, the Corporation deems it preferable to not factor changes in working capital into this performance measure. However, investors should not consider cash flows from operations as an alternative measure to cash flows related to operating activities, a measure consistent with GAAP.

The following table reconciles cash flows from operations to cash flows related to operating activities:

	QUARTERS ENDED		YEARS ENDED	
(in thousands of dollars)	DECEMBER 31, **2008**	DECEMBER 31, 2007	DECEMBER 31, **2008**	DECEMBER 31, 2007
Cash flow related to operating activities	**17,424**	6,021	**54,269**	35,057
Change in non-cash working capital items	**(6,287)**	9,995	**1,005**	16,491
CASH FLOWS FROM OPERATING ACTIVITIES	**11,137**	16,016	**55,274**	51,548

ANALYSIS OF OPERATING RESULTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008

The following table shows major changes explaining the change in net earnings for fiscal 2008 and 2007:

	NET EARNINGS (IN MILLIONS OF DOLLARS)	PER SHARE (IN $) (BASIC)
YEAR ENDED DECEMBER 31, 2007	**21.5**	**0.63**
Change in EBITDA	7.6	0.20
Amortization	(2.9)	(0.08)
Foreign exchange gain	2.0	0.05
Financial instruments	(5.6)	(0.15)
Financing costs	0.9	0.02
Income taxes	(2.9)	(0.08)
Other	(0.2)	(0.01)
Dilutive impact (mainly relating to the June 2007 share issue)	–	(0.04)
YEAR ENDED DECEMBER 31, 2008	**20.4**	**0.54**

In fiscal 2008, Boralex generated net earnings of $20.4 million or $0.54 per share (basic and diluted) compared with $21.5 million or $0.63 per share (basic) ($0.62 diluted) in 2007. This relative decrease in net earnings is attributable to two factors, namely: (1) a $4.0 million gain net of taxes realized in the second quarter of fiscal 2007 on the termination of interest rate swap hedges and (2) an increase in the tax expense due in part to favourable adjustments made in 2007. If not for these non-recurring items recognized in 2007, the Corporation would have recorded one of its highest net earnings ever. In 2002, net earnings were higher due to a non-recurring gain realized at the Fund's inception. The 2008 performance is mainly attributable to a $7.6 million increase in its EBITDA, to which all segments made a contribution and in particular, the wood-residue segment. Boralex also benefited from a $0.9 million decrease in financing costs arising from the June 2007 share offering, as well as the $2.0 million favourable translation adjustment. These items offset the $2.9 million increase in amortization expense resulting mainly from expansion in the wind power segment and the strengthening of the euro and the U.S. dollar.

Excluding the above-mentioned items, the $0.09 decline in earnings per share was partially attributable to the increase in the weighted average number of shares outstanding resulting from the June 2007 issuance of 7.3 million shares.

Analysis of major changes in revenue from energy sales and EBITDA

(in millions of dollars)	REVENUE FROM ENERGY SALES	EBITDA
YEAR ENDED DECEMBER 31, 2007	**163.3**	**61.3**
Power stations commissioned (wind power segment)	2.7	2.2
Operational shutdown (wood-residue segment)	(1.7)	(0.2)
Pricing	9.6	9.6
Volume	8.2	3.6
RECs and green certificates	11.9	8.0
Capacity premiums	1.2	1.2
Translation of self-sustaining subsidiaries	2.7	1.9
Renewable energy tax credits	–	0.5
CO_2 quotas	–	0.8
Raw material costs	–	(12.2)
Maintenance	–	(1.8)
Development expenses – prospecting	–	(1.7)
Share in earnings of the Fund	–	1.2
Other	(0.7)	(5.5)
YEAR ENDED DECEMBER 31, 2008	**197.2**	**68.9**

REVENUE FROM ENERGY SALES

For the year ended December 31, 2008, revenue from energy sales totalled $197.2 million, up $33.9 million or 20.8% from $163.3 million in 2007. This solid performance was primarily due to the wood-residue and wind power segments with contributions from other segments. The growth of consolidated revenue from energy sales in fiscal 2008 stemmed mainly from the following factors, in order of importance:

- $11.7 million and $0.2 million increases in revenue from sales of RECs in the Northeastern U.S. and green certificates in France respectively, for a total additional contribution of $11.9 million;
- A $9.6 million additional contribution resulting from higher prices for energy generated by Boralex over 2008 compared with 2007, due mainly to higher prices for electricity sold by the wood-residue segment on the Northeastern U.S. open market and steam generated by the French natural gas co-generation power station;
- An additional total net contribution of $9.2 million stemming from higher energy output. Of this amount, $2.7 million results from wind power expansion projects, more specifically, the increase in the installed capacity at the Avignonet-Lauragais facility following the commissioning of new equipment in April 2008, and the entire output of the La Citadelle facility which came on-stream in July 2007. An increase of $8.2 million is attributable to the higher output of power stations in the wood-residue segment. However, the benefit of this additional output was mitigated, as the wood-residue Stacyville power station was inoperative until the end of the second quarter, giving rise to a $1.7 million revenue shortfall. As a result of the above factors, Boralex generated a total of 1,623,293 MWh of electricity in 2008, up 5.1% compared with 1,544,158 MWh in 2007;
- A $2.7 million favourable effect due to the strengthening of the euro and the U.S. dollar against the Canadian dollar over the fiscal year; and
- $1.2 million in additional capacity premiums.

Note however that growth in revenue for fiscal 2008 was slightly reduced by certain non-recurring revenue in 2007, including compensation of $0.7 million received for malfunctioning equipment.

OTHER REVENUE

In addition to revenue from energy sales, Boralex recorded other revenue of \$16.1 million, compared with \$14.4 million in 2007, including additional revenue of \$0.8 million from the sale of excess CO_2 quotas by the natural gas power station in France. The Corporation also saw its share of the Fund's earnings increase by \$1.0 million and earned approximately \$0.5 million in revenues in the third quarter for managing a wind farm construction site in France sold to a third party in 2007. However, these additional revenues were dampened by the recognition in the first quarter of 2007 of \$1.0 million in non-recurring revenues from the aforementioned sale of wind power site development rights.

Note that significant writedowns of assets recorded by the Fund in 2007 and 2008 had little impact on Boralex's share in the Fund. The write-off of these assets by the Fund had no significant impact since the adjustments to the market value of assets recorded by the Fund had not been recognized in the Boralex investment at the initial public offering of the Fund.

EBITDA

Consolidated EBITDA amounted to \$68.9 million in 2008, up \$7.6 million in 2008 or 12.4% from \$61.3 million in 2007. Growth in EBITDA was affected by the following key favourable factors, in order of importance:

- A \$9.6 million direct favourable impact on EBITDA from higher selling prices;
- An additional \$8.0 million contribution from sales of RECs and green certificates, primarily RECs sold by the wood-residue segment. The \$4.0 million difference between additional revenues and additional EBITDA generated by the RECs stemmed mainly from the electricity transmission costs incurred by the Ashland power station as discussed below in the section on segment performance;
- An additional \$5.6 million in operating earnings attributable to higher output, of which \$2.2 million resulted from expanded wind power capacity, more specifically, the commissioning of new equipment at the Avignonet-Lauragais facility and the full contribution of the La Citadelle facility which came on-stream in 2007. The balance amount is attributable to the higher output of wood-residue power stations (net of \$0.2 million in additional costs incurred for the upkeep of the Stacyville power station during its inoperative period);
- A \$1.9 million favourable foreign currency effect;
- Additional \$1.2 million in capacity premiums;
- An additional \$1.2 million contribution related to the Corporation's share of the Fund's earnings;
- A \$0.8 million additional contribution from sales of excess CO_2 quotas by the Corporation's natural gas thermal power station in France; and
- A \$0.5 million increase in U.S. renewable energy tax credits attributable to the Stacyville power station.

Conversely, the key factors that had an adverse impact on consolidated EBITDA were as follows:

- A \$12.2 million increase in raw material costs, of which \$7.2 million was attributable to the wood-residue segment and \$5.0 million to higher natural gas prices at the natural gas-fired Blendecques thermal power station in France;
- A \$1.8 million increase in maintenance costs arising primarily from the wood-residue segment and to a lesser extent from the wind power segment;
- An additional \$1.7 million expense resulting from the Corporation's stepped-up development and prospecting initiatives, mainly aimed at establishing itself in Canada's wind power market and developing its portfolio of assets in Europe; and
- Additional adverse variance of \$5.5 million made up of various items, including the addition of operating expenses at the Stacyville power station, which operated for four months more than in 2007, non-reccuring revenues of \$1.7 million in 2007 (including the sale of wind power development rights in France to a third party and compensation received for malfunctioning equipment), increase in the variable wage costs resulting from improved productivity in certain power stations and various other unfavourable factors such as higher prices for chemical products.

(A more detailed analysis of the revenue and EBITDA of the various segments may be found under *Analysis of the segmented results for the fiscal year ended December 31, 2008*.)

AMORTIZATION, FOREIGN EXCHANGE LOSS (GAIN), FINANCIAL INSTRUMENTS, FINANCING COSTS AND EARNINGS BEFORE INCOME TAXES

Amortization expense totalled \$24.5 million in 2008, up \$2.9 million or 13.4% from \$21.6 million in 2007. During fiscal 2007, the Corporation remeasured the estimated useful lives of certain intangible assets, which reduced the amortization expense. Apart from that item and the impact of currency fluctuations particularly in the fourth quarter, the additional amortization expense resulted primarily from investments made in the past two fiscal years, including the commissioning of the La Citadelle facility, expansion at the Avignonet-Lauragais facility, and investments for upgrading equipment in the wood-residue segment.

Financing costs totalled \$13.8 million compared with \$14.7 million in 2007. This \$0.9 million or 6.1% decline is mainly due to the impact over the first half of 2008 of the June 2007 share issuance. More precisely, it results from the decrease in interest paid on the line of credit subsequent to the June 2007 reduction of said line of credit using proceeds from the share issuance carried out a few days earlier, coupled with the collection of interest income on the excess cash resources arising from said issuance. These two items largely offset the additional interest on the debt contracted to commission the La Citadelle wind power farm.

In the second quarter of 2007, the Corporation recognized a $5.9 million fair market value gain on interest rate swaps resulting from the accounting rules governing documentation at the time of refinancing arrangements. The swaps were subsequently re-designated as hedges of the new financing arrangement.

Boralex also recorded a foreign exchange gain of $1.4 million in 2008, compared with a foreign exchange loss of $0.5 million in 2007, representing a favourable variance of $1.9 million. Such gains and losses are usually the result of fluctuations in the euro or U.S. dollar against the Canadian dollar and the net effect of fluctuations on foreign currency cash and working capital items held in Canada. As the Corporation is generally in a net asset position and since the euro and U.S. dollar strengthened against the Canadian dollar, the Corporation realized gains in 2008. In contrast, the euro and U.S. dollar had depreciated against the Canadian dollar in 2007.

Moreover, Boralex repatriated an amount of US$20.0 million to Canada for investment in the construction of phase I of the Thames River wind project (40 MW) in Ontario. Boralex consequently recorded a gain of $1.3 million on the reduction of its net investment in the U.S.

Given the above factors, Boralex recorded earnings before income taxes of $31.9 million in 2008 compared with $29.9 million in 2007. Excluding the effect of the non-recurring gain recorded in 2007 subsequent to the termination of the hedging relationship involving interest rate swaps, earnings before income taxes for 2008 would have risen nearly 33% from the previous year, driven essentially by the Corporation's higher profitability.

INCOME TAX EXPENSE

Boralex reported $11.3 million in income tax expense for 2008 compared with $8.5 million in 2007 owing in particular to favourable income tax adjustments made in 2007. Also, the Corporation's effective tax rate rose due to an increase in taxable income generated in the U.S. where the tax rate is relatively higher.

Taking all jurisdictions into account, Boralex's combined statutory income tax rate should be approximately 35%. However, since the ratio of dividends included in the Fund's distributions varies according to the amounts of U.S. dollar cash resources that the Fund repatriates to Canada to fund its distributions, and since the dividends received from the Fund are not taxable for Boralex, the Corporation's consolidated income tax rate can vary significantly. The breakdown of income attributable to each country is another factor than can bear on the consolidated income tax rate.

NET EARNINGS

In fiscal 2008, Boralex generated net earnings of $20.4 million or $0.54 per share (basic and diluted), compared with $21.5 million or $0.63 per share (basic) ($0.62 diluted) in 2007. This decrease is mainly attributable to the non-recurring gain on financial instruments realized in 2007.

The weighted average number of shares outstanding stood at 37.7 million in 2008 compared with 34.4 million in 2007, due to the gradual effect of the June 2007 public share offering, as well as the 383,596 stock options exercised during fiscal 2008. The dilution of earnings per share is attributable to stock options outstanding at the end of the year.

To sum up, Boralex generated record operating income in 2008, due primarily to the following:

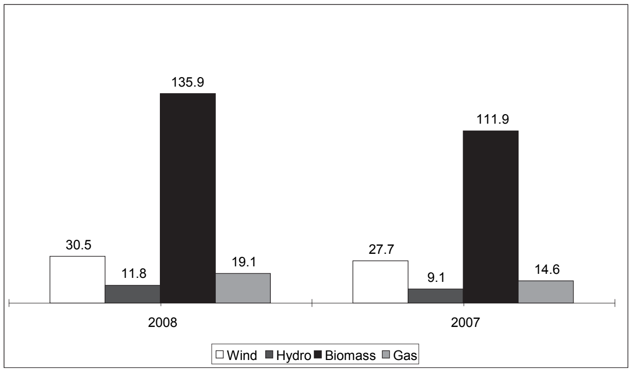
- Its expanded participation in the Connecticut REC market, supported by three of the wood-residue power stations in the third quarter of 2008 compared with only two in 2007;
- Higher average electricity and steam selling prices obtained by all its power stations; and
- Higher output resulting from the expanded wind power segment, increase in the output of the wood-residue segment and favourable water flows.

Excluding certain non-recurring items recognized in 2007, the Corporation would have reported its best ever financial operating results in 2008.

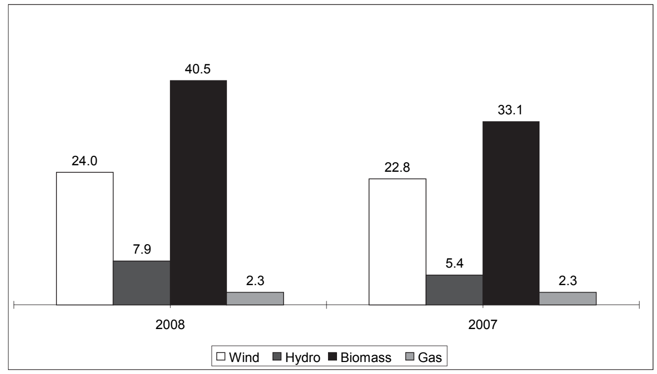
ANALYSIS OF THE SEGMENTED RESULTS FOR THE YEAR ENDED DECEMBER 31, 2008

SEGMENT BREAKDOWN

REVENUE FROM ENERGY SALES ($ MILLION)



EBITDA ($ MILLION)



In fiscal 2008, wood-residue segment revenues increased 21.4%, bolstered by growth in REC sales, higher output and selling prices. As a result, the segment's share in the Corporation's 2008 consolidated revenue rose to 68.9% from 68.5% in 2007.

In the wind power segment, the full contribution of La Citadelle wind farm, the strengthening of the euro against the Canadian dollar and expanded capacity at the Avignonet-Lauragais facility accounted for 10.1% of growth in revenues from electricity sales. However, the drop in productivity at almost all the wind farms in the third and fourth quarters due to less favourable weather conditions reduced the wind power segment's share of consolidated earnings in 2008 to 15.5% from 17.0% in 2007.

The hydroelectric segment posted revenue growth of 29.7%, driven by higher selling prices during the entire year, and water flows better than the historical average and much more favourable than in the previous year. The hydroelectric segment's share of consolidated revenue in 2008 increased to 6.0% from 5.6% in 2007.

Lastly, the natural gas-fired power station stepped up its contribution to 9.6% in 2008 from 8.9% in 2007, owing primarily to a 30.1% revenue boost from higher selling prices.

In light of the factors outlined above, the wood-residue segment's EBITDA increased by 22.4%, while its share of consolidated EBITDA (excluding the corporate and eliminations segment) rose to 54.2% in 2008 from 52.0% in 2007.

Conversely, despite a 5.3% increase in the wind power segment's EBITDA for the year, its share of consolidated EBITDA decreased to 32.1% from 35.8% due to the lower profitability in the second half of the year owing to less favourable wind conditions. The hydroelectric segment's share of EBITDA rose to 10.6% from 8.5%, lifted by a 46.3% increase in its EBITDA for the year. Rising natural gas prices played a role in reducing EBITDA at the Blendecques power station, lowering its contribution to consolidated EBITDA to 3.1% in 2008 from 3.6% in 2007.

WIND POWER STATIONS

Analysis of major changes in revenue from energy sales and EBITDA

(in millions of dollars)	REVENUE FROM ENERGY SALES	EBITDA
YEAR ENDED DECEMBER 31, 2007	**27.7**	**22.8**
Commissioning - La Citadelle in 2007 and Avignonet-Lauragais II in 2008	2.6	2.2
Pricing	0.4	0.4
Volume	(1.4)	(1.4)
Green certificates	0.2	–
Translation of self-sustaining subsidiaries	1.7	1.4
Compensation for malfunctioning equipment	(0.7)	(0.7)
Maintenance	–	(0.5)
Other	–	(0.2)
YEAR ENDED DECEMBER 31, 2008	**30.5**	**24.0**

In fiscal 2008, revenue from wind power sales rose $2.8 million or 10.1% to $30.5 million. This performance stems mainly from the full contribution of the new La Citadelle facility commissioned on July 18, 2007 and the expansion of the Avignonet-Lauragais facility in April 2008; together these two expansion projects generated additional revenue of $2.6 million. The euro's strengthening against the Canadian dollar also helped boost revenues by $1.7 million. Lastly, additional revenues of $0.6 million were generated by higher green certificate sales and the indexation of electricity selling prices.

However, following an encouraging first half of the year in terms of equipment availability and productivity, the segment's performance was affected by unfavourable weather conditions in the second half of 2008, namely weak winds, a harsh early winter period and more severe icing conditions than in the previous year for most sites. As a result, almost all existing facilities reported lower output for fiscal 2008, leading to a total shortfall in revenues of $1.4 million. The segment generated 220,500 MWh of electricity in 2008, compared with 208,710 MWh in 2007, due primarily to the addition of new wind turbines.

Lastly, note that 2007 revenues included compensation of $0.7 million received from a manufacturer in respect of malfunctioning equipment.

The full contribution of the La Citadelle facility and the expansion of the Avignonet-Lauragais facility increased the segment's EBITDA by $2.2 million. Combined with the favourable foreign currency effect and higher selling prices, this contribution more than offset the $1.4 million shortfall in EBITDA resulting from lower output at existing wind farms and an increase in maintenance costs caused mostly by factors external to day-to-day operations. As a result, the wind power segment's EBITDA rose 5.3% from $22.8 million in 2007 to $24.0 million. The segment's EBITDA/revenue margin stood at 78.7% in 2008 (82.3% in 2007), compared with an average EBITDA margin of 37.9% (38.9% in 2007) for all of Boralex's segments (excluding the corporate and eliminations segment).

In addition to ongoing development initiatives in France, Boralex is currently working on major wind power development projects in Canada. Wind power segment projects are described in greater detail under *Highlights of the Last Three Years – Expansion of the Wind Power Segment* (Page 12) and *Outlook* (Page 31).

HYDROELECTRIC POWER STATIONS

Analysis of major changes in revenue from energy sales and EBITDA

(in millions of dollars)	REVENUE FROM ENERGY SALES	EBITDA
YEAR ENDED DECEMBER 31, 2007	**9.1**	**5.4**
Pricing	0.6	0.6
Volume	2.2	2.2
Capacity premiums	(0.1)	(0.1)
Maintenance	–	0.2
Other	–	(0.4)
YEAR ENDED DECEMBER 31, 2008	**11.8**	**7.9**

HISTORICAL AVERAGE OF HYDROELECTRIC GENERATION (MWh)*	
For the fourth quarter	30,972
For the year	114,395

* The historical average is determined using all output data available for each power station up to the closing of Boralex's previous fiscal year.

The hydroelectric power stations generated revenues of $11.8 million in 2008, up 29.7% from $9.1 million in 2007, mainly due to a 23.7% increase in output. Markedly better water flow conditions boosted hydroelectric output to 132,057 MWh in 2008 compared with 106,762 MWh in 2007. So, whereas 2007 output was 6.7% lower than the historical average, in 2008, output exceeded the historical average by 15.4%. Average electricity selling prices in 2008 also rose 9.9% (in US$) from 2007, resulting in additional revenues of $0.6 million for the hydroelectric segment.

The hydroelectric segment generated an EBITDA of $7.9 million for 2008 compared with $5.4 million in 2007. This improvement of 46.3% is largely due to the growth in production volume, together with higher electricity selling prices and a slight drop in maintenance costs that more than offset increases in certain other costs.

WOOD-RESIDUE THERMAL POWER STATIONS

Analysis of major changes in revenue from energy sales and EBITDA

(in millions of dollars)	REVENUE FROM ENERGY SALES	EBITDA
YEAR ENDED DECEMBER 31, 2007	**111.9**	**33.1**
Operational shutdown – Stacyville power station	(1.7)	(0.2)
Pricing	4.5	4.5
Volume	8.0	3.1
RECs	11.8	8.0
Capacity premiums	1.2	1.2
Translation of self-sustaining subsidiaries	0.2	0.5
Renewable energy tax credits	–	0.5
Raw material costs	–	(7.2)
Maintenance	–	(1.4)
Other	–	(1.6)
YEAR ENDED DECEMBER 31, 2008	135.9	40.5

In 2008, the wood-residue segment posted its best ever results, for both revenues and operating earnings.

Revenue from energy sales totalled $135.9 million, up $24.0 million or 21.4% from $111.9 million in 2007. This growth is attributable to the following factors:

- An $11.8 million increase in REC sales, totalling US$35.3 million in 2008 compared with US$23.1 million in 2007, arising primarily from the Ashland (Maine) power station's qualification for the Connecticut REC program in January 2008 and the participation of the Livermore Falls (Maine) power station in the same program throughout 2008 compared with only nine months in 2007. REC sales by the Stratton power station and the Chateaugay (New York) power station, which trades in the New York market, dipped slightly from 2007 levels;
- A 3.6% increase in aggregate output to 1,232,907 MWh, contributing an additional net amount of $6.3 million (taking into account the Stacyville power station's inoperative period). This increase stems primarily from bringing the Stacyville (Maine) power station back on-stream at the end of the second quarter, particularly to capitalize on high electricity selling prices on the market. The Fort Fairfield, Livermore Falls and Stratton power stations, all located in Maine, also recorded high availability and contributed to output growth;
- A 10.5% increase (in US$) in the average electricity selling price on the open market in the Northeastern United States compared with the average selling price in 2007, which generated $4.5 million in additional revenues. Nonetheless, electricity prices eased toward the end of the third quarter as the U.S. economic slowdown dampened oil and natural gas prices (fossil fuel prices and electricity selling prices in Northeastern U.S. markets are strongly correlated);
- $1.2 million in additional capacity premiums; and
- A slightly favourable foreign currency effect arising from the strengthening of the U.S. dollar against the Canadian dollar in the second half of the year, particularly in the fourth quarter.

Wood-residue segment EBITDA rose $7.4 million or 22.4% to $40.5 million from $33.1 million in 2007, due to the following key favourable factors:

- Additional EBITDA of $8.0 million from higher REC sales. The $3.8 million difference between additional revenues and EBITDA generated by RECs stemmed primarily from expenses incurred by the Ashland power station to transport its electricity into the New England Power Pool ("NEPOOL") grid while still supplying its Maine client. The Stacyville power station was brought back on-stream in the second half of the year, enabling Boralex to reduce the Ashland power station's electricity transmission costs;
- A $4.5 million direct contribution to EBITDA from higher average electricity selling prices;
- A net contribution of $2.9 million stemming from higher energy output taking into account the Stacyville power station's inoperative period;
- $1.2 million in additional capacity premiums, reflected directly in EBITDA;
- A $0.5 million increase in U.S. renewable energy tax credits attributable to bringing back on-stream the Stacyville power station; and
- A $0.5 million favourable effect attributable to foreign currency fluctuations.

Conversely, certain items adversely affected wood-residue segment EBITDA:

- A $7.2 million increase in cost of raw materials caused mainly by increased output, higher transportation costs resulting from higher oil and oil derivatives prices during 2008 compared with 2007 and a slight increase in the average combustion rate due in part to humid weather in 2008. However, wood-residue prices rose very little in fiscal year 2008;
- A $1.4 million increase in maintenance costs due mainly to the re-firing of the Stacyville power station and the fact that Boralex made use of scheduled maintenance periods to carry out additional repairs; and

- Various other cost increases, including those (other than raw materials) related to operating the Stacyville power station, the cost of certain chemicals used to comply with REC production standards, and higher variable wage costs due to higher performance at certain power stations.

Although market conditions have weakened since the end of fiscal 2008 following the U.S. economic crisis, leading particularly to a drop in electricity selling prices, Boralex expects that the impact on its wood-residue segment performance will be limited due to a range of favourable factors, including the fact that a significant part of electricity sales scheduled for 2009 have been preset at attractive prices for periods varying between one and two years. In addition, as at December 31, 2008, Boralex had firm sales commitments of US$34.7 million ($42.5 million) for REC deliveries in the Connecticut market from now up to December 31, 2012. For fiscal 2009, sales commitments represent over 80% of its expected output for the year.

(The outlook for the wood-residue segment is described in greater detail under *Outlook* (page 31) in the MD&A).

NATURAL GAS THERMAL POWER STATION

Analysis of major changes in revenue from energy sales and EBITDA

(in millions of dollars)	REVENUE FROM ENERGY SALES	EBITDA
YEAR ENDED DECEMBER 31, 2007	**14.6**	**2.3**
Pricing	4.0	4.0
Volume	(0.5)	(0.2)
Capacity premiums	0.1	0.1
Translation of self-sustaining subsidiaries	0.9	0.1
CO_2 quotas	–	0.8
Natural gas costs	–	(5.0)
Other	–	0.2
YEAR ENDED DECEMBER 31, 2008	**19.1**	**2.3**

In fiscal 2008, performance of the natural gas power station in France was mainly affected by higher natural gas prices and the resulting increase in steam and electricity selling prices, which are partially indexed to natural gas prices in France.

Revenue from the power station amounted to $19.1 million, up $4.5 million or 30.8% from 2007 revenues. This growth resulted mainly from 36.2% and 26.4% increases, respectively, in the selling prices (in euros) of steam and electricity produced by the station, which are strongly correlated to the price of natural gas in France, generating additional revenues of $4.0 million. Revenues were also boosted by the favourable impact of $0.9 million attributable to the rise in the euro and additional capacity premiums of $0.1 million.

However, the power station's steam output declined, particularly in the fourth quarter, following the impact of current economic conditions on its industrial client's operational volume, resulting in a revenu shortfall of $0.5 million. In addition, electricity output totalled 37,829 MWh, falling slightly short of the three previous year's volume. It should be noted that, as was the case in the last three fiscal years, the facility's cogeneration equipment was shut down during seven months as natural gas prices were considered too high.

The power station reported an EBITDA of $2.3 million, relatively unchanged from 2007. Coupled with lower output, the unfavourable impact of $5.0 million from higher natural gas costs offset the favourable effect of $4.0 million resulting from an increase in selling prices and other positive factors during the year, namely higher sales of excess CO_2 quotas of $0.8 million generated mainly in the fourth quarter, additional capacity premiums and certain other items.

ANALYSIS OF OPERATING RESULTS FOR THE FOURTH QUARTER ENDED DECEMBER 31, 2008

Analysis of major changes in net earnings

	NET EARNINGS (IN MILLIONS OF DOLLARS)	PER SHARE (IN $) (BASIC)
THREE-MONTH PERIOD ENDED DECEMBER 31, 2007	**5.9**	**0.16**
EBITDA	(3.1)	(0.08)
Amortization	(0.8)	(0.02)
Foreign exchange gain	0.8	0.02
Financial instruments	0.7	0.02
Financing costs	(1.1)	(0.03)
Income taxes	2.0	0.05
THREE-MONTH PERIOD ENDED DECEMBER 31, 2008	**4.4**	**0.12**

During the fourth quarter of fiscal 2008, Boralex generated net earnings of $4.4 million or $0.12 per share (basic and diluted), compared with $5.9 million or $0.16 per share (basic) ($0.15 diluted) in the same quarter in 2007. This decrease mainly results from the retroactive recognition in the fourth quarter of 2007 of US$4.3 million ($4.6 million) of REC sales generated in the previous two quarters by the Livermore Falls wood-residue power station. Excluding this amount, EBITDA for the fourth quarter of 2008 would have increased by $1.5 million while net earnings would have been $1.3 million higher than for the same period in 2007. Note however that this factor had no impact on annual results.

In addition, as explained in the following section, currency fluctuations, namely the strengthening of the U.S. dollar and the euro against the Canadian dollar had a significant favourable impact on 2008 fourth quarter results.

Analysis of major changes in revenue from energy sales and EBITDA

(in millions of dollars)	REVENUE FROM ENERGY SALES	EBITDA
THREE-MONTH PERIOD ENDED DECEMBER 31, 2007	**45.9**	**18.7**
Pricing	1.8	1.8
Volume	2.2	0.7
RECs and green certificates	(4.0)	(5.2)
Capacity premiums	0.3	0.3
Translation of self-sustaining subsidiaries	8.6	3.4
CO_2 quota	–	1.1
Renewable energy tax credits	–	0.3
Raw material costs	–	(2.9)
Maintenance	–	(0.8)
Development expenses – prospecting	–	(0.4)
Share in earnings of the Fund	–	0.4
Other	(0.5)	(1.8)
THREE-MONTH PERIOD ENDED DECEMBER 31, 2008	**54.3**	**15.6**

REVENUE FROM ENERGY SALES

Revenue from energy sales totalled $54.3 million during the three-month period ended December 31, 2008, up $8.4 million or 18.3% from $45.9 million in the same period of 2007.

Excluding the retroactive recognition in the 2007 fourth quarter of REC sales of $4.6 million attributable to previous quarters, growth in revenue from energy sales in 2008 totalled $13.0 million or 31.5%. Of this increase, $8.6 million results from currency fluctuations, without which, the actual growth, at constant exchange rates, would have been $4.4 million or 10.7%. This growth is primarily attributable to increased wood-residue segment output and higher steam and electricity selling prices in France.

The changes in revenue from energy sales by segment were as follows:

- The **wind power** segment's revenue from energy sales fell $0.7 million or 8.1% to $7.9 million from the previous year. This decline resulted mainly from the recognition in the 2007 fourth quarter of compensation amounting to $0.5 million received from a manufacturer in respect of malfunctioning equipment. At the operational level, the segment's productivity, particularly at the Cham de Cham Longe and La Citadelle sites, were affected by unfavourable weather conditions, especially in December, namely unseasonally cold temperatures combined with weak winds and frequent icy periods. As a result, total output in MWh fell 6.5% from 2007, leading to a shortfall of $0.9 million. Green certificate sales by the segment also fell short of 2007 sales, by $0.4 million. Note that since the market operates for the time being on a voluntary basis, revenues from the Corporation's wind power segment are difficult to project from one period to another. These unfavourable factors were offset to a large extent by the favourable $1.0 million effect of the strengthening of the euro against the Canadian dollar, the $0.2 million effect of the rise in the average electricity selling price stemming from price indexation and a favourable adjustment to the basic sale price of the Avignonet-Lauragais site.
- Revenue of the **hydroelectric** segment rose $0.3 million or 12.0% to $2.8 million. This increase is attributable to two factors, namely the $0.5 million impact on revenues of the U.S. dollar's strengthening against the Canadian dollar, and higher output, which generated additional revenues of $0.2 million. Favourable water flows enabled the segment to generate output of 9.2% higher than the same quarter in 2007 and 12.5% higher than the historical average for this period of the year. However, segment revenues were affected by an approximately 18% decrease (in US$) in the average electricity selling price on the open market, a direct impact of the economic slowdown in the United States, leading to a $0.4 million revenue shortfall.
- Revenue from energy sales in the **wood-residue** segment rose $7.1 million or 23.7% to $37.0 million. Excluding the $4.6 million in retroactive REC sales from 2007 results, revenue growth would have been approximately $11.7 million or over 45%. Of this amount, $6.6 million is attributable to the favourable impact of the appreciation in the U.S. dollar against the Canadian dollar. The $5.1 million balance of this increase (representing nearly 20% at constant exchange rates and excluding 2007 retroactive REC sales) results primarily from a 7.3% increase in MWh output, which generated additional revenues of $3.3 million. The higher output is mainly attributable to the Stacyville power station, which did not operate in the fourth quarter of 2007. Second, excluding the retroactive effect of 2007, REC sales rose $1.0 million after the Ashland power station was added to the Connecticut program in January 2008. Third, despite lower electricity selling prices in the open market, the Boralex wood-residue power segment's forward sales strategy resulted in a 9.1% increase (in US$) in the average selling price in the fourth quarter from the same period in 2007, generating additional revenues of $0.5 million. Last, the segment benefited from capacity premiums of $0.3 million.
- The **natural gas** power station posted a $1.6 million or 32.7% increase in revenues, primarily due to a $1.5 million contribution from higher steam and electricity selling prices, which are indexed to natural gas prices in France. The power station's revenues also benefited from the favourable impact of $0.5 million attributable to the rise in the euro. However, the decline in output, mainly explained by a scaling back of operations at the power station's industrial client, had a negative impact of $0.5 million on revenues.

OTHER REVENUES

Boralex generated $4.7 million in revenues other than revenue from energy sales during the fourth quarter of 2008 compared with $3.0 million during the corresponding period of 2007. This increase resulted from an additional $1.1 million in sales of excess CO_2 quotas at the Blendecques natural gas power station and the favourable effect of foreign currency fluctuations. A further contribution of $0.3 million stemmed from the Boralex's share in the earnings of the Fund.

EBITDA

Consolidated EBITDA during the fourth quarter of 2008 totalled $15.6 million compared with $18.7 million for the corresponding period in 2007 ($14.1 million excluding the 2007 retroactive REC sale at the Livermore Falls power station). Foreign currency fluctuations had a $3.4 million favourable effect on quarterly consolidated EBITDA, which was partially offset by a $2.9 million increase in raw material costs, particularly for natural gas in France. The changes in segmented quarterly EBITDA were as follows:

- EBITDA for the **wind power** segment fell by $1.0 million, or 14.1%, to $6.1 million. Excluding the offsetting revenue received in 2007 for malfunctioning equipment, the segment decline in EBITDA would have been $0.5 million or 7.6%. The decrease resulted mainly from lower output, which reduced EBITDA by $0.9 million, and a $0.5 million drop in sales of green certificates. The segment posted a $0.2 million rise in maintenance expenses related to external factors. The aggregate impact of these adverse effects was offset by a $0.8 million favourable foreign currency fluctuation, an additional $0.2 million contribution due to higher average selling prices and a decrease in a number of other expenses.
- EBITDA for the **hydroelectric** segment was relatively unchanged from 2007, at $1.6 million. The $0.4 million unfavourable effect owing to lower average selling prices and some higher expenses was fully offset by the $0.3 million favourable effect of the appreciation of the U.S. dollar and the additional $0.2 million contribution from increased output.
- EBITDA for the **wood-residue segment** totalled $9.1 million compared with $10.7 million for the corresponding period of 2007. Excluding the $4.6 million in retroactive REC sales from 2007 results, this segment would have recorded a $3.0 million improvement in quarterly EBITDA, or nearly 49%. This performance was largely due to the $2.2 million favourable effect of the appreciation in the U.S. dollar. Segment profitability was also driven by increases in output, average selling prices, capacity premiums and renewable energy tax credits, which accounted for additional contributions of $1.5 million, $0.5 million, $0.3 million and $0.3 million, respectively. These factors offset increases of $0.9 million in raw material costs, $0.4 million in maintenance expenses and $0.2 million in sundry expenses.
- EBITDA for the **natural gas** thermal power station totalled $1.4 million ($0.7 million in 2007), which primarily reflected a $1.5 million contribution from higher steam and electricity selling prices, and $1.1 million in additional excess $C0_2$ quota sales. These favourable factors were more than sufficient to offset the $2.0 million increase in natural gas costs and the drop in output.

AMORTIZATION, FOREIGN EXCHANGE LOSS (GAIN), FINANCIAL INSTRUMENTS, FINANCING COSTS AND EARNINGS BEFORE INCOME TAXES

The Corporation reported $6.3 million in amortization expense for the fourth quarter compared with $5.5 million for the corresponding period of 2007. Apart from capital expenditures in 2008, in particular the expansion project at the Avignonet-Lauragais wind power site, this $0.8 million increase resulted largely from the impact of the appreciation of the euro and the U.S. dollar on the amortization of the Corporation's property, plant and equipment in France and the U.S.

Financing costs totalled $3.8 million, up $1.0 million or 35.7% from $2.8 million for the same quarter in 2007. This variance was mainly due to lower rates of return on bank deposits due to a highly conservative investment approach and an increase stemming from the appreciation of the euro.

The Corporation recorded a $0.8 million foreign exchange gain compared with a $0.1 million gain for the corresponding period of 2007 resulting from the rise in the euro and the U.S. dollar and the translation of US$20.0 million into Canadian dollars to finance its Ontario project, as discussed in the analysis of cumulative results.

The slight loss on financial instruments in the fourth quarter of 2008 (compared with a $0.8 million loss in the same quarter of 2007) comprised mostly the ineffective portion of the financial electricity swaps over the period. It should be noted that all of these swaps qualify for hedge accounting and are highly effective for managing exposure to electricity market prices. However, since the swaps are not 100% effective, accounting standards required that a portion of gains or losses arising from their measurement at fair value be recognized in earnings. For the quarter ended December 31, 2008, the change in fair value of these instruments amounted to $2.9 million and the ineffective portion represented $0.2 million thereof, or approximately 7%.

In light of the foregoing, earnings before income taxes fell to $6.2 million in the fourth quarter of 2008 from $9.7 million in the corresponding period of 2007 ($5.1 million excluding the 2007 retroactive REC sales).

INCOME TAX EXPENSE

Boralex reported $1.8 million in income tax expense for the fourth quarter of 2008, down $2.0 million from $3.8 million for the corresponding quarter of 2007. This variance resulted mainly from lower earnings before income taxes in the fourth quarter of 2008 and adjustments in year-end provisions.

Taking all jurisdictions into account, Boralex's combined statutory income tax rate should normally be approximately 35%.

NET EARNINGS

In light of the foregoing, Boralex ended the fourth quarter of fiscal 2008 with $4.4 million in net earnings or $0.12 per share (basic and diluted) compared with $5.9 million in net earnings or $0.16 per share ($0.15 diluted) for the corresponding period of 2007. This decline resulted mainly from the retroactive recognition of REC sales in 2007. The weighted average number of shares outstanding was 37.7 million in 2008 compared with 37.5 million in 2007, due to the 383,596 stock options exercised in fiscal 2008.

In short, excluding the retroactive recognition of $4.6 million in REC sales in the last quarter of 2007, Boralex recorded significant revenue growth and improved EBITDA in the fourth quarter of 2008, primarily as a result of increased output in the wood-residue segment, higher average selling prices, particularly in France, and the favourable effect of foreign currency fluctuations.

ANALYSIS OF MAJOR CASH FLOWS FOR THE QUARTER AND YEAR ENDED DECEMBER 31, 2008

OPERATING ACTIVITIES

During the fourth quarter of 2008, the Corporation reported $11.1 million in cash flows from operating activities compared with $16.0 million for the same quarter in 2007. This $4.9 million decline resulted primarily from the decrease in EBITDA discussed in the previous section, the decrease in distributions received from the Fund and the increase in financing costs arising from lower rates of return on liquid assets. Changes in non-cash working capital items generated $6.3 million in cash inflows in the fourth quarter of 2008 due in large part to the receipt of approximately $5 million in RECs. Conversely, the $10.0 million in cash outflows required in 2007 arose from the recognition of significant REC sales in the last quarter of 2007 (including the $4.6 million retroactive amount), the revenues of which were recognized in subsequent quarters. Operating activities thus generated cash flows totalling $17.4 million in the fourth quarter of 2008 compared with $6.0 million in the corresponding period of 2007.

For fiscal 2008, cash flows from operations totalled $55.3 million, up 7.4% from $51.5 million for fiscal 2007. This improvement was mainly attributable to the increase in the Corporation's EBITDA and lower interest on the revolving credit facility. However, certain items had a negative impact on cash flows from operations, in particular the reduction in distributions received from the Fund since April 2008.

Changes in non-cash working capital items resulted in $1.0 million in cash outflows (compared with $16.5 million in cash outflows in 2007 owing to the rise in accounts receivable related primarily to REC sales). As a result, operating activities for 2008 generated $54.3 million in net cash flows, up 54.7% from $35.1 million in the previous year.

INVESTING ACTIVITIES

In the fourth quarter of 2008, Boralex's investment activities totalled $14.0 million, up from $7.8 million for the same period of 2007, including $11.3 million in investments related primarily to construction work at the 40 MW phase I of the Thames River wind power site in Ontario, slated for commissioning in 2009. The Corporation also allocated $0.5 million to its various development projects, and $2.2 million to other investments, consisting mostly of the net amount under the lease agreements for crushing equipment (chippers) with wood-residue suppliers to ensure sufficient supply in the segment.

For fiscal 2008, Boralex invested $59.7 million in its infrastructure development and maintenance projects, up from $23.5 million in 2007, which are detailed as follows:

- $44.6 million in additions to property, plant and equipment, up from $22.5 million in 2007, consisting of $31.5 million for expansion in the wind power segment in Canada and France, $8.5 million for equipment upgrades in the wood-residue segment and $4.6 million for various projects, including a pilot gasification project;
- $5.8 million in business acquisitions related to the two 90 MW wind power projects in Southern Ontario, including $4.5 million for the exercise of four of the nine options acquired in 2007 in respect of the Thames River project with a view to commissioning phase I totalling 40 MW and $1.3 million for the acquisition of the business owning the development rights for a second 90 MW wind power project, namely Merlin-Buxton, in Ontario;
- $5.6 million allocated to various development projects, up from $4.6 million in 2007, consisting mainly of the development of two wind power projects in Ontario and the Seigneurie de Beaupré wind farms in Québec, undertakings to develop the hydroelectric segment in British Columbia and certain other projects in Canada and Europe; and
- $3.7 million, up from $2.6 million in 2007, consisting primarily of the net amount under lease agreements for crushing equipment (chippers) with wood-residue suppliers.

FINANCING ACTIVITIES

Financing activities resulted in $2.6 million in cash outflows in the fourth quarter of 2008 compared with $1.5 million in 2007, mainly comprising $1.5 million in net repayments on long-term debt and $0.4 million on bank loans, as well as the repurchase of 78,500 shares for a consideration of $0.7 million under the normal course issuer bid program.

For fiscal 2008, financing activities required $18.2 million in cash outflows, compared with $56.0 million in cash inflows for the previous year arising primarily from the June 2007 issuance. In 2008, the Corporation repaid a net amount of $19.1 million on long-term debt. In addition, the Corporation received $1.7 million subsequent to the issuance of new shares and paid $0.9 million for share repurchases under its normal course issuer bid program. In total, Boralex has issued 383,596 shares on exercise of stock options held by officers and directors and repurchased 97,300 shares under its normal course issuer bid program.

During fiscal 2008, the appreciation of the U.S. dollar and the euro had a $13.7 million favourable impact on cash and cash equivalents, including $9.6 million during the fourth quarter.

Total changes in cash and cash equivalents for fiscal 2008 represented a $10.0 million cash outflow. As a result, cash and cash equivalents totalled $69.2 million as at December 31, 2008 compared with $79.2 million as at December 31, 2007.

In short, increased cash from operations in 2008, largely driven by solid performance in the wood-residue segment, served to reduce the Corporation's indebtedness and ensured it maintained a sound cash position despite undertaking significant investments to expand its wind power segment in Canada and France.

FINANCIAL POSITION AS AT DECEMBER 31, 2008

GENERAL COMMENTS

Aside from net earnings, investments, debt repayment for the year and the change in future income taxes, Boralex's balance sheet as at December 31, 2008 compared with December 31, 2007 reflected the impact of the strengthening of the euro and the U.S. dollar against the Canadian dollar, particularly in the fourth quarter. Currency fluctuations played a key role in increasing the value of property, plant and equipment, other assets, long-term debt and shareholders' equity.

ASSETS

As at December 31, 2008, Boralex's total assets amounted to $623.5 million compared with $514.7 million as at December 31, 2007. Of this $108.8 million increase, $80.1 million is attributable to the appreciation of the euro and the U.S. dollar against the Canadian dollar. The change in assets is due primarily to the following factors:

- A $71.7 million increase in the value of property, plant and equipment to $330.4 million as at December 31, 2008, resulting mainly from the foreign exchange effect, the start of construction on the 40 MW phase I of the Thames River wind power site in Ontario, the commissioning of new wind turbines at the Avignonet-Lauragais site and other additions to property, plant and equipment during the period, net of amortization; and
- A $28.9 million increase in other assets due to amounts invested in development projects and the increase in fair value of derivative financial instruments.

WORKING CAPITAL

Boralex reported $70.2 million in working capital as at December 31, 2008 compared with $81.8 million as at December 31, 2007. This decrease is due in large part to the use of $10.0 million in cash and cash equivalents to fund the Corporation's operational growth, which was substantially offset by an increase in accounts receivable arising mainly from currency fluctuations. Monetization program liabilities have been reclassified to current liabilities, as the program is scheduled to end in 2009.

TOTAL DEBT AND SHAREHOLDERS' EQUITY

As at December 31, 2008, the Corporation's total debt amounted to $187.4 million compared with $175.5 million as at December 31, 2007. In light of the Corporation's repayment of over $19 million in long-term debt in 2008, this $11.9 million increase in long-term debt resulted from the significant strengthening of the euro, particularly given that substantially all of Boralex's debt is in Europe. Net of cash and cash equivalents, excluding deferred financing costs, total net debt was $122.5 million as at December 31, 2008 compared with $101.0 million as at December 31, 2007. This increase is due to the impact of foreign currency fluctuations on long-term debt and the use of a portion of the Corporation's cash to fund its operational growth and reduce its debt in 2008.

As at December 31, 2008, the Corporation reported $363.1 million in shareholders' equity, up $78.3 million or 27.5% from $284.8 million as at December 31, 2007. In addition to the $56.0 million increase in accumulated other comprehensive income due mainly to foreign currency fluctuations, this variance was attributable to net earnings for the year, share issuances on exercise of stock options and the value of stock options earned during the period. As a result, the total net debt to capitalization ratio (total net debt plus shareholders' equity) rose to 25.2% as at December 31, 2008 from 26.2% as at December 31, 2007. Given Boralex's share price, which was $7.55 as at December 31, 2008, the net debt to enterprise value ratio was 30.1% as at that date compared with 13.5% as at December 31, 2007 when the share price was $17.25.

Note that the Corporation's long-term goal for managing capital is to keep this ratio below 65%.

As at December 31, 2008, the Corporation had an undrawn balance of approximately €170.9 million ($291.2 million) under the €265 million master credit agreement entered into in Europe in June 2007, giving it considerable latitude to initiate new wind power projects in France by 2010.

Reflecting letters of credit already issued, the Corporation has approximately $10.7 million in borrowing capacity under the revolving credit facility. As discussed in *Highlights of the Last Three Years – Corporate Financing*, on October 23, 2008, the authorized amount under the revolving credit facility was reduced from $85 million to $55 million at the request of Boralex due to the decrease in market value of the Fund's trust units.

With respect to the financing for the upcoming commissioning of the first 40 MW wind farms in Ontario, the Corporation is currently in talks with a financial institution to secure a minimum of $50 million in project financing. The entire project will require outlays of approximately $100 million, of which nearly $32 million has already been laid out by Boralex. Given cash on hand and expected financing, Boralex does not foresee any obstacle to project completion.

OUTLOOK

MANAGEMENT COMMENTARY ON THE CURRENT ECONOMIC SITUATION

The current global economic and financial crisis and extreme stock market volatility are of serious concern to Boralex. However, Management believes that certain aspects inherent in the Corporation's operations, expertise and assets, as well as its capital structure and risk management mechanisms, and changes in its industry, help mitigate its business risks in an economic slowdown, and could even spark a number of opportunities. Management would like to underscore the following main factors:

- Currently, 35% of the Corporation's total installed capacity is covered by long-term power sales contracts ranging from 13 to 15 years. In particular, these contracts currently cover all the wind farms, as well as the thermal cogeneration power station in France, the two hydroelectric power stations in Québec and a hydroelectric power station in the U.S. The clients served by these units are EDF and Hydro-Québec, monopolistic public corporations that boast very high credit ratings. The portion of Boralex's installed and operating capacity under long-term contracts will increase to 42% in summer 2009 with the commissioning of the first wind power facilities of the Thames River site with a total capacity of 40 MW in Southern Ontario, which are covered by 20-year power sales contracts with the Ontario Power Authority, a public corporation. As regards assets under long-term contracts primarily in the wind power and hydroelectric segments, current business risk exposures are mainly climate-related and depend little on prevailing economic conditions. However, tighter access to credit due to the current financial crisis could dampen future development in these segments if conditions were to prove other than temporary. (Boralex's development projects are set out later in this section as well as in the earlier *Highlights of the Last Three Fiscal Years* section.) The 65% of Boralex's current installed capacity not covered by long-term contracts consists primarily of the six thermal power stations in the wood-residue segment and four hydroelectric power stations, all of which are located in the Northeastern U.S. and sell their power on the open market. Boralex has implemented certain provisions to alleviate the impact of the economic slowdown on the performance of several of its power stations, as discussed later in this section. In addition, these power stations are practically debt free.
- Unlike several global energy industry players operating mainly in project development, Boralex, which has some development expertise, specializes first and foremost in operating energy assets, with a 15-year track record. Over the years, Boralex has built a 351 MW, 21-site portfolio whose performance and reliability it has tirelessly optimized by developing leading-edge expertise, high-performance management tools and effective operating strategies. What's more, the Corporation's assets are diversified both in terms of the types of renewable power generation and geographic dispersion, which mitigates operating risks. As a result, Boralex has a high-quality asset portfolio that generates significant and predictable operating profits and cash flows.
- Boralex's ability to raise substantial cash from operations is a major asset in managing its capital and planning projects. As at December 31, 2008, Boralex enjoyed a solid financial position with nearly $70 million in cash resources and ratios of total net debt representing only 34% of its shareholders' equity, 25% of its capitalization and 30% of its market capitalization.
- Boralex operates in what is arguably the most promising energy market niche: green and renewable energy. Supporting and providing incentives for development in this niche is a common policy plank for governments of most industrialized nations, including E.U. member states and the new U.S. administration.
- Lastly, the current crisis has its share of advantages and could create opportunities for Boralex. For instance, recent declines in oil prices, prime rates and equipment prices, including wind power turbines, could be beneficial to the operating profitability of certain power stations and the Corporation's future development project costs. In addition, the financial crisis will likely result in sales of development projects or operational energy assets, which Boralex could buy at attractive prices, capitalizing on its strong financial position and extensive operating expertise.

BUSINESS RISKS OF POWER STATIONS NOT COVERED BY LONG-TERM CONTRACTS IN AN ECONOMIC SLOWDOWN

These risks are mainly concentrated in the wood-residue segment in light of its materiality to the Corporation's results (69% of revenues in 2008 and 59% of EBITDA). However, Boralex Management believes that in 2009, this segment's performance will be partially protected by the following:

- *Client base:* In the U.S., Boralex's power stations sell their output through regional producers' associations or directly with certain large distributors, one of which is a market leader. The leader in question experienced financial difficulties in the past few months, which were recently resolved through major transactions. Boralex Management does not anticipate credit problems for any of its clients in the foreseeable future.
- *Wood-residue supply:* Boralex does not foresee any major supply problems in the coming quarters owing mainly to the partnership strategy it has forged with a number of wood-residue suppliers to which it supplies woodchip collection equipment. Moreover, although the slowdown in the U.S. construction industry had reduced available reserves of construction and demolition wood, logging and sawmilling operations remain healthy in the Northeastern U.S. Although wood residues are relatively scarce in certain areas, which could drive up raw material prices for the Stratton and Livermore Falls power stations, most wood-residue power stations should not experience a raw material shortage or price increase. On the contrary, the drop in oil prices from their 2008 peaks should drive down wood-residue transportation costs.
- *Electricity selling prices:* Electricity selling prices in the Northeastern U.S. open market have dropped sharply since the beginning of the third quarter of 2008, tracking declines in oil and gas prices resulting from the economic slowdown. Boralex Management believes that electricity selling prices will hover at their current levels or continue falling through to the end of 2009. In the past few quarters, however, given that Boralex has implemented long-term sales contracts and hedging mechanisms, it has locked in sales of approximately 496,000 MWh for its Ashland, Stratton and Livermore Falls power stations, or the equivalent of 64% of the wood-residue segment's total output in 2008, under set prices exceeding current market prices, comparable to 2008 market prices. The Chateaugay power station's electricity selling prices are partially hedged under the regulatory framework of the New York State REC program for which it qualifies. A new two-year power sales contract was entered into for the Fort Fairfield power station as of March 1, 2009. Lastly, the Stacyville power station, with a contract renewal date at the end of February 2009, has discontinued operations and is expected to remain inoperative for the remainder of 2009. Note that Boralex can adjust output at its wood-residue power stations in response to market conditions, thereby garnering it a measure of flexibility in managing costs.
- *REC market:* Although REC market prices fell late in 2008, Boralex believes that this market's potential remains unchanged. As at December 31, 2008, the Stratton, Livermore Falls and Ashland power stations had US$34.7 million in firm commitments ($42.5 million) at prices comparable or slightly lower than 2008 prices for REC deliveries to the Connecticut market between January 1, 2009 and December 31, 2012. For fiscal 2009, completed sales represent over 80% of forecast output. Boralex Management believes that the REC market outlook remains particularly encouraging over the medium and long term, especially since Connecticut has not only extended the REC program to 2020, but also announced that the minimum green energy portion imposed on distributors will rise to 20% by 2020, compared with 1.5% when the program was launched in 2005 and 7% in 2010. Moreover, the current financial crisis could reduce REC supply over coming quarters, thereby bolstering and even boosting prices.
- *Other generation facilities exposed to economy-related business risks:* Boralex has five hydroelectric power stations in the U.S., which generated less than 6% of revenues and 11% of EBITDA. These facilities enjoy a very low cost structure and have no raw material supply needs. While Boralex's natural gas thermal power station in France does have a long-term sales contract for its power output, it sells its steam output to an industrial client in the pulp and paper industry, whose operations are exposed to overall economic conditions. Revenue from steam production represents an insignificant portion of Boralex's consolidated revenues and EBITDA.
- *Impairment of assets:* Boralex carries out periodic assessments on its long-term assets. The Corporation carried out an impairment test as at December 31, 2008 and concluded that its long-term assets had not undergone any change in value. With respect to asset impairment, the Corporation stresses that its power stations in the U.S., which carry out sales on the open market, were not only acquired at attractive prices and since been significantly upgraded, they are not encumbered by any material debt.

CORPORATE DEVELOPMENT PROJECTS IN PROGRESS AND INVESTMENT STRATEGY IN THE CURRENT ENVIRONMENT

Boralex Management recently adjusted its investment strategy in light of the prevailing economic uncertainty. Accordingly, until the current crisis dissipates, the Corporation will mainly target development projects providing potential for a short-term return on investment and/or requiring a reasonable financial commitment from it. The main projects that the Corporation is currently pursuing (which are set out in *Highlights of the Last Three Years* at the beginning of this MD&A) are as follows:

- *Commissioning of the 90 MW phase I of the Thames River wind farm in Southern Ontario*: The first four wind farms, with an installed capacity of 40 MW, will be commissioned as anticipated early in the third quarter of fiscal 2009. From their commissioning date, these facilities will contribute to the Corporation's results at a rate of $110/MWh, including an annually indexed portion, of electricity sold. A financing package totalling more than $50 million will be in place by late March 2009. Boralex is moving ahead with the necessary financing arrangements to commission the project's phases II and III, with a 50 MW capacity, by the end of 2010. In 2008, Boralex acquired development rights for a second Southern Ontario wind farm, namely Merlin-Buxton, with a potential installed capacity of approximately 90 MW and may include it in a future submission under a request for proposals from Ontario over the next few years.

- *272 MW Seigneurie de Beaupré wind farms:* The commissioning of these projects, jointly developed by Boralex and Gaz Métro, is slated for the end of 2013, with the main cash outlays earmarked for 2012 and 2013 in particular. This timeline provides the partners with a certain measure of financial leeway, since the financial crisis is likely to have been resolved by then.
- *Hydroelectric project in British Columbia:* Boralex aims to initially optimize the 2 MW currently being generated by this Northern B.C. power station with an installed capacity of 14.5 MW whose acquisition is underway, and subsequently bring on-stream the additional 12.5 MW. The future upgrades required to optimize this power station and execute the development rights for two other hydroelectric projects in the same area, representing an additional 10 MW, are scheduled over a three- to five-year horizon.

Moreover, Boralex is closely monitoring development project acquisition opportunities in which long-term power sales contracts and financing arrangements are already in place and/or, where possible, energy assets are already operational. The Corporation's search initiatives mainly target Canada and France where the Corporation can draw down $291 million under a financing facility available until the end of 2010.

Despite the current recession, Boralex also continues to map out its longer-term future. For instance, the Corporation is currently working on a portfolio of development projects, including a pilot gasification project in Québec, laying the groundwork to potentially facilitate the implementation of a solar energy generation facility in France and a wind power project in Italy. However, in line with its investment strategy in response to current economic conditions, the Corporation is moving forward with extreme prudence with these projects, which do not require any significant cash outlays, or major financial or other commitments.

OUTLOOK BY SEGMENT FOR FISCAL 2009

Although it will be difficult to match our 2008 record operating results in 2009, Boralex Management expects strong overall performance in most of segments:

- *Wind power segment:* In 2009, this segment will receive a performance boost as the new wind farms come on-stream in Ontario in the third quarter. Returns in France are also expected to improve, following above-average wind conditions in 2008. The Corporation's French operations can also count on a full-year contribution from the Avignonet-Lauragais expansion commissioned on April 1, 2008. Furthermore, the consolidation of this segment's results is expected to get a boost from the euro's recent strengthening against the Canadian dollar.
- *Hydroelectric segment:* Although this segment is likely to be adversely affected by market price declines for electricity, this factor will be partially offset by the appreciation of the U.S. dollar relative to its Canadian counterpart. Output, however, is difficult to forecast, since it primarily depends on water flow conditions.
- *Wood-residue thermal power segment:* As previously discussed, the wood-residue segment has taken steps to alleviate the economic slowdown's impact on its results, particularly through long-term power sales contracts and RECs. Furthermore, the Corporation does not expect any significant increases in raw material prices and could capitalize on some savings, such as in energy and transportation costs. A continued downward trend in prices for diesel, a derivative of petroleum, would exert downward pressure on Boralex's wood-residue supply costs, nearly 70% of which represent freight costs. For example, each $0.05 change in the price of diesel amounts to approximately $300,000 in fuel cost changes for Boralex. Furthermore, Boralex will move forward with optimization initiatives to enhance profitability in this segment. However, the operational shutdown at the Stacyville power station and the generally less favourable market conditions than in 2008 will have a certain adverse effect on its results compared with their record 2008 level. However, this decline would be offset by the strengthening of the U.S. dollar against the Canadian unit. A new two-year power sales contract was entered into for the Fort Fairfield power station as of March 1, 2009. Lastly, the Corporation will claim renewable energy tax credits until the program's anticipated December 31, 2009 end date. These credits generated $12.5 million in revenues for 2008. U.S. federal authorities have been approached to extend this program beyond its current end date.
- *Natural gas thermal power station:* For this French power station, the current economic slowdown could mainly translate into a drop in steam purchases by its industrial client and sluggish demand for sales of its excess CO_2 quotas. To this end, Boralex discounted its steam price by approximately €400,000 for deliveries in the first quarter of 2009. Under the agreement, Boralex will recover this amount over the following quarters through various offsetting mechanisms. Electricity sales, however, are expected to remain in line with 2008 levels. In view of high natural gas prices in France, the cogeneration equipment at the Blendecques power station will be shut down again in April and will remain idle until October 2009.

To summarize, due to expected expansion in the wind power segment, hedging instruments implemented in the wood-residue segment, the projected decline in certain costs and the positive impact of currency fluctuations, and based on normal climate conditions, Management anticipates, if not growth, certainly a good level of revenues, operating income and cash flows from operations in fiscal 2009, which should allow Boralex to provide for its normal cash requirements.

In general, given current economic conditions, Boralex will continue to take a rigorous and highly disciplined approach to its investment projects and to the management of its assets. Its main objectives for fiscal 2009 will be to:

- maximize operating income generated by its power stations as well as cash flows from operations, through the rigorous management of its operations and the informed management of its business risks;
- optimize its sources of financing, including nontraditional sources, notably through a review of all of its assets;
- complete the development and commissioning of its first 40 MW Ontario wind farms;
- remain on the lookout for acquisition opportunities available in the market, particularly if they show a potential for short-term return; and
- continue to focus on and pursue initiatives to consolidate its long-term leadership position in the green and renewable energy market.

Boralex's outlook is positive in the longer term, thanks to the quality and diversification of its assets and its expertise in green and renewable energy production, reflecting a growing worldwide trend. Boralex will continue to prudently capitalize on opportunities that arise in its fields of expertise while remaining on the lookout for new technologies and paying close attention to the responsible management of its operating costs, business risks and capital structure.

CAPITAL STOCK INFORMATION

As at December 31, 2008 Boralex's capital stock consisted of 37,740,921 Class A shares issued and outstanding, up from 37,454,625 as at December 31, 2007. This increase resulted from the issuance of 383,596 new shares on exercise of stock options held by officers and directors, net of the 97,300 shares repurchased under its normal course issuer bid program launched on April 29, 2008. There were 1,005,816 stock options outstanding as at December 31, 2008, of which 524,560 were exercisable.

Between December 31, 2008 and February 25, 2009, no new shares were issued on exercise of stock options and no shares were repurchased pursuant to the normal course issuer bid. As of the date hereof, capital stock therefore consists of 37,740,921 Class A shares, with 1,005,816 stock options outstanding of which 524,560 are exercisable.

FINANCIAL INSTRUMENTS

MARKET RISK

As at December 31, 2008, the Corporation had entered into six electricity financial swaps for total deliveries of 750,120 MWh over periods of 2 to 26 months. All financial electricity swaps as at December 31, 2008 were designated as hedges of future variable cash flows related to the delivery of electricity and their favourable fair value amounted to $20.2 million (US$16.5 million). These contracts qualify for hedge accounting.

INTEREST RATE RISK

The Corporation carries long-term debts bearing interest at variable rates. As at December 31, 2008, approximately 86% of long-term debt issued bore interest at variable rates. A sharp increase in interest rates in the future could affect the liquid assets available for the Corporation's development projects. However, since the Corporation uses interest rate swaps, its exposure to interest rate fluctuations is reduced to only 17% of total debt. As at December 31, 2008, the notional balance of these swaps was $133.7 million (€78.5 million) and their unfavourable fair value was $2.9 million (€1.7 million).

The Corporation does not plan to sell these instruments, since they were entered into in order to reduce the Corporation's risk related to interest rate fluctuations. Therefore, the fact that the fair value is unfavourable only indicates that forward interest rates have decreased; it does not reflect on the effectiveness of the instrument as part of the Corporation's risk management strategy.

FOREIGN EXCHANGE RISK

In the normal course of business, Boralex is not significantly exposed to currency fluctuations because its foreign operations are self-sustaining and the Corporation prefers to retain its liquid assets to develop these subsidiaries. However, the turbine supplier for the initial 40 MW phase of the Ontario Thames River wind power project is European, which means that purchases will be paid in euros, whereas site operations will generate cash flows in Canadian dollars. To protect the expected project return, the Corporation has entered into forward foreign exchange contracts enabling it to set an exchange rate of approximately 1.42 Canadian dollar per euro purchased. These contracts were entered into to hedge the purchase of 15 turbines for delivery in 2009. The foreign exchange gain realiized on the settlement of the options, combined with a subsequent gain on the resulting cash amount in euros, totalled $6.7 million as at December 31, 2008. With respect to the other 10 MW projects expected in 2009, the Corporation signed contracts for the purchase of another lot of 15 turbines during the second quarter of 2008 with the same supplier. The Corporation decided not to immediately hedge these purchases due to the current strength of the euro against the Canadian dollar. Exchange rate developments are assessed on a regular basis with a view to entering into forward contracts once rates fall within a pre-determined range.

RELATED PARTY TRANSACTIONS

In addition to holding 23.3% of the Fund's trust units, the Corporation, through one of its wholly owned subsidiaries, is linked to the Fund under long-term management and administration contracts. For the year ended December 31, 2008, these management and administration agreements generated $5.4 million ($5.6 million in 2007), while its share of the Fund's results was $7.8 million ($6.8 million in 2007). Lastly, Boralex received Fund distributions totalling $10.3 million in 2008 ($12.4 million in 2007).

One of Boralex's power stations in France supplies steam to a French division of Cascades Inc., a corporation that has significant influence over Boralex since it holds 34% of its share capital. For 2008, revenues from this division totalled $11.8 million ($8.5 million in 2007).

The Corporation also entered into a management agreement with an entity controlled by Bernard Lemaire, one of Boralex's directors and officers, and his family. For 2008, revenues from this agreement totalled $0.5 million ($0.4 million in 2007).

Related party transactions are recorded at the exchange value, which corresponds to the amount negotiated and agreed to by the related parties in the normal course of business. The terms and conditions are comparable to those that would have been established by non-related parties.

COMMITMENTS AND CONTINGENCIES

CONTRACTUAL OBLIGATIONS

						PAYMENTS
(in millions of dollars)	Total	2009	2010	2011	2012	2013 +
Long-term debt and leases	251.0	39.1	28.2	25.7	25.7	132.3
Purchase obligations	136.8	133.4	3.4	–	–	–
Other obligations	23.5	2.5	2.8	2.1	2.2	13.9
Total	411.3	175.0	34.4	27.8	27.9	146.2

FUND-RELATED COMMITMENTS

a) Under the terms of a management agreement ending February 19, 2022 with renewable successive five-year terms, the Corporation has undertaken to provide operation, supervision, maintenance, security, management and administration services for eight power stations. These services cover all employee wages, salaries and benefits related to these facilities, as well as the use of the Corporation's centralized control system. The fee is indexed annually based on the Consumer Price Index for the preceding twelve months. For the year ended December 31, 2008, the management fee under this agreement was $5.0 million ($5.2 million for 2007).
b) The Corporation has undertaken to provide, according to terms similar to those described in a), the complete management of two hydroelectric power stations located in the State of New York (the "Adirondack facilities") and owned by the Fund. More specifically, the amounts payable under this agreement are limited to operating expenses and annual compensation to the Corporation covering the employee wages, salaries and benefits related to the operation, supervision, maintenance, security, management and administration of the Adirondack facilities and of the overhead expenses thereof. Fees for this agreement were $0.4 million for the year ended December 31, 2008 ($0.4 million for 2007). This agreement will end in 2023 but is renewable for additional five-year terms at the option of the manager.

OTHER COMMITMENTS AND CONTINGENCIES

a) Under a long-term contract expiring in 2027, the Corporation is committed to selling 100% of its electricity production from a hydroelectric power station located in the United States. Long-term contracts for the Fort Fairfield and Ashland wood-residue power stations expired on February 28, 2009. A new two-year power sales contract was entered into for the Fort Fairfield power station as of March 1, 2009. With respect to the Ashland power station contract, the Corporation decided to sell this facility's output on the open market and did not renew the long-term contract. Lastly, in Canada and France the Corporation is committed to selling 100% of its electricity and steam production under long-term contracts expiring as follows:

SOURCE	PRODUCTION TYPE	MATURITY
Canada	Electricity	2010 and 2021
France	Electricity	Between 2013 and 2023
France	Steam	2022

b) To operate the Middle Falls power station in the United States, the Corporation leases the land where the facilities are situated from Niagara Mohawk Power Corporation under a lease that runs until 2027. Until 2013, payment is a fixed amount that is indexed at 3% per year. In 2008, the rent was $0.4 million ($0.4 million in 2007) and will be indexed at 3% per year until 2013. As of 2014, the rent will be variable at 30% of the power station's gross revenue.
c) The Corporation is committed under forward sales contracts to sell the RECs earned by its U.S. power stations that have qualified as a renewable energy producer in Connecticut. As at December 31, 2008, the balance of these commitments totalled about $42.5 million (US$34.7 million) for periods between January 2009 and December 2012.
d) Under the supply agreements for its wood-residue power stations, the Corporation has undertaken to receive deliveries of certain minimum quantities. Based on production forecasts, the Corporation will purchase quantities greater than the contract minimums.
e) Over the years, the Corporation has sold portions of its enterprises, including electrical power stations to the Boralex Power Income Fund. Under the agreements with respect to these sales, the Corporation could be required to indemnify the

purchaser for liabilities arising from events prior to the sale, whether in connection with labour, tax, environmental, judicial or other matters, or arising from representations made by the Corporation. Indemnification guarantees of this type extend mainly over periods of less than ten years. The maximum amount associated with these guarantees may not exceed the proceeds from the sales in the amount of $382.3 million. As at the date of this report, the Corporation deems that it has no liabilities under these guarantees.

f) With respect to wind power projects, the Corporation signed a turnkey maintenance contract with GE Wind Energy and Enercon. The initial contract period is five years, with anticipated annual expenditures of about €1.0 million.

g) With respect to the wind power projects in Ontario, the Corporation signed an equipment purchase agreement. Future cash outlays are $114.9 million, or €65.3 million and $3.6 million, expected mainly in 2009. The euro amount payable was partially covered by foreign currency options, as discussed under *Financial Instruments*.

h) The Fund, which is a significant investment for Boralex, initiated an arbitration process with a subsidiary of the AbitibiBowater group regarding a dispute on the execution of the service agreement for the operation and maintenance of the Dolbeau power station. In light of all the facts surrounding this dispute, the Fund currently believes it is impossible to assess whether or not there is a potential loss and to determine the amount thereof. Consequently, no provision was recorded by the Fund or Boralex.

i) On June 11, 2008, the Corporation signed a purchase agreement for the assets of a hydroelectric power station in British Columbia. Under this agreement, Boralex will pay approximately $19,000,000 to purchase the power station already in operation together with two projects totalling 10 MW for development in the same region. In addition, Boralex will invest approximately $3,000,000 for equipment upgrades to increase output capacity. The signing of this purchase agreement is subject to obtaining standard regulatory approvals.

j) On June 25, 2008, the Corporation signed two electricity supply contracts with Hydro-Québec for a total output of 272 MWh for the Seigneurie de Beaupré wind farm project. The Corporation collaborated on this project with Gaz Métro and each owns 50% of the project. These contracts were approved by the Régie de l'énergie du Québec on October 17, 2008.

k) The building permits for the 2008 expansion of the Avignonet-Lauragais site are currently being challenged by a neighbouring community. Since the permits are believed to have been issued in due form, the Préfet who issued them and Boralex are defending their validity.

RISK FACTORS AND UNCERTAINTIES

EFFECTS OF WEATHER

By the nature of its business, the Corporation's earnings are sensitive to weather variations from period to period. Variations in winter weather affect the demand for electrical heating requirements. Variations in summer weather affect the demand for electrical cooling requirements. These variations in demand translate into spot market price volatility, which affects a portion of the Corporation's revenues in the Northeastern United States.

HYDROLOGY

The amount of electricity generated by the Corporation's hydroelectric assets is dependent upon available water flows. Accordingly, revenues and cash flows may be affected by low and high water flows in the watersheds. There can be no assurance that the long-term historical water availability will remain unchanged or that no material hydrologic event will impact the hydraulic conditions that exist within the watershed. Annual deviations from the long-term average can be significant. The investment in the Fund is also exposed to this risk since the Fund owns nearly 50% of its production capacity in this sector.

FUEL SUPPLY

The operation of wood-residue or natural gas thermal power facilities requires that fuel in the form of wood residue or natural gas be provided. If there is an interruption in the supply or a change in the price of wood residue or natural gas for the Corporation's facilities, the ability of such facilities to generate electricity or to generate it in a profitable manner will be adversely affected. In addition, some of the other suppliers of wood residue may benefit from increased competition for wood residue and sell their wood-residue supply to other clients or at higher prices. The Corporation reduces this risk by establishing partnerships with suppliers and by seeking out alternatives to virgin residue as fuel, as well as by adopting storage strategies that will help to avoid purchasing during times when raw materials are scarce and prices are therefore high.

WIND

Wind is naturally variable. Therefore, the level of electricity production from a wind power generation facility will also be variable. A reduced or increased amount of wind at the location of one of the wind farm sites over an extended period may reduce the production from such facility and may reduce the Corporation's revenues and profitability.

PLANT PERFORMANCE AND EQUIPMENT FAILURE

The ability of the facilities to generate the maximum amount of power is a key determinant of the Corporation's profitability. To the extent that plant equipment requires longer than forecast downtime for maintenance and repair, or suffers disruptions of power generation for other reasons, the Corporation's profitability may be adversely affected.

DEVELOPMENT, CONSTRUCTION AND DESIGN

On occasion, the Corporation participates in the construction and development of new power generating facilities. The nature of some of these expenditures is inherently speculative. Delays and cost overruns may occur in completing the construction of projects. Even when complete, a facility may not operate as planned, or design and manufacturing flaws may occur, which could conceivably not be covered by warranty.

New power generating facilities have no operating history and may employ recently developed and technologically complex equipment. Moreover, power sales agreements entered into with a counterparty early in the development phase of a project may enable the counterparty to terminate the agreement, or to retain security posted as liquidated damages, if a project fails to achieve commercial operation or certain operating levels by specified dates or if the Corporation fails to make specified payments. As a result, a new facility may be unable to fund principal and interest payments under its financing obligations. A default under such a financing obligation could result in the Corporation losing its interest in a power generation facility.

DAM SAFETY

The occurrence of dam failures at any of the Corporation's hydroelectric generating stations could result in a loss of generating capacity, and repairing such failures could require the Corporation to incur significant expenditures of capital and other resources. Such failures could result in the Corporation being exposed to significant liability for damages. There can be no assurance that the Corporation's dam safety program will be able to detect potential dam failures prior to occurrence or eliminate all adverse consequences in the event of failure. Other safety regulations could change from time to time, potentially impacting the Corporation's costs and operations. Upgrading all dams to enable them to withstand all events could require the Corporation to incur significant expenditures of capital and other resources. The consequences of dam failures could have a material adverse effect on the Corporation's business, operating results, financial condition or prospects.

POWER SALES AGREEMENTS

Obtaining new power sales agreements, which is a key component for the sustainability of profits, is a risk factor in the competitive environment faced by the Corporation. In several instances, the Corporation obtains new power sales agreements by submitting proposals in response to requests for proposals issued by large clients. There is no assurance that the Corporation will be selected as power supplier following requests for proposals in the future or that existing power sales agreements will be renewed or will be renewed upon equivalent terms and conditions upon the expiry of their term.

KEY EMPLOYEES

Holders of securities of the Corporation must rely upon the experience and expertise of several key employees of the Corporation. The Corporation's continued success is dependent upon its ability to attract and retain experienced Management.

NATURAL DISASTERS AND FORCE MAJEURE EVENTS

The Corporation's plants and operations are exposed to potential damage or destruction resulting from environmental disasters (for example, floods, high winds, fires, and earthquakes), equipment failure and the like. The occurrence of a significant event which disrupts the ability of the Corporation's generation assets to produce or sell power for an extended period, including events which preclude existing clients from purchasing electricity, could have a material adverse impact on the business of the Corporation. The Corporation's generation assets could be exposed to effects of severe weather conditions, natural disasters and potentially catastrophic events such as a major accident or incident at the Corporation's generation assets or a generating plant owned by a third party to which the transmission assets are connected. In certain cases, there is the potential that some events may not excuse the Corporation from performing its obligations pursuant to agreements with third parties. In addition, many of the Corporation's generation assets are located in remote areas, which makes access for repair of damage difficult.

INSURANCE LIMITS

While the Corporation believes that its insurance coverage addresses all material insurable risks, provides coverage that is similar to what would be maintained by a prudent owner/operator of similar facilities, and is subject to deductibles, limits and exclusions which are customary or reasonable given the cost of procuring insurance and current operating conditions, there can be no assurance that such insurance will continue to be offered on an economically affordable basis, nor that such insurance will cover all events which could give rise to a loss or claim involving the assets or operations of the Corporation.

COMMODITY PRICE

In the Northeastern United States, a large portion of the Corporation's power generation is sold on the spot market or under short-term contracts and is accordingly subject to fluctuations in electricity prices. Electricity prices vary depending on supply, demand and certain external factors. As a result, prices may fall too low for the power stations to yield an operating profit. The Corporation has implemented hedging strategies to reduce some of this risk.

PERFORMANCE OF COUNTERPARTIES

The Corporation sells the majority of its power to a limited number of clients. The Corporation is exposed to credit-related losses in the event of the non-performance by counterparties to power purchase agreements and financial instruments. Credit risks arise from the potential for a counterparty to default on its contractual obligations and is limited to those contracts where the Corporation would incur a loss in replacing the defaulted transaction. The Corporation minimizes credit risk with counterparties to financial instruments and physical electricity and gas trades through the selection, monitoring and diversification of counterparties, use of standard trading contracts, collateral and other credit risk mitigation techniques. Further, the Corporation's power purchase agreements are almost exclusively with clients having longstanding credit histories or investment grade ratings. Where a client does not have a public credit rating, the Corporation assesses the credit risk and may require financial guarantees.

INDUSTRY RISK AND COMPETITION

The Corporation currently operates in the power segment in Canada, the United States and France. These areas of operation are affected by competition ranging from large utilities to small independent power producers. The Corporation may compete with other companies with significantly greater financial and other resources than itself for power generation contracts as well as for the recruitment of qualified personnel. There is no assurance that the Corporation would be able to effectively compete with its competitors in the long term.

INDEBTEDNESS

Since the Corporation's projects require significant capital, it uses a project-based financing approach to maximize its leverage. The cash flows from several of the facilities are subordinated to senior debt on each project. There is a risk that a loan may go into default if the Corporation does not fulfil its commitments and obligations, which may result in the lender realizing on its security and, indirectly, causing the Corporation to lose its ownership or possession of such facility.

INTEREST RATE AND REFINANCING RISK

Interest rate fluctuations may affect the profitability of the Corporation, given its project-based financing approach. The Corporation is carrying long-term debt bearing interest at variable rates. As at December 31, 2008, approximately 17% of long-term debt issued, taking into consideration financial swaps, bore interest at variable rates, as did the Corporation's bank loans and advances. A sharp increase in interest rates in the future could affect the liquid assets available for the Corporation's development projects. In addition, the ability of the Corporation to refinance debt when due is dependent on capital market conditions which can change over time.

ADDITIONAL FINANCING

To the extent that external sources of capital, including the issuance of additional securities of the Corporation, become limited or unavailable, the Corporation's ability to make the necessary capital investments to construct new plants or maintain its existing plants and remain in business will be impaired. There can be no assurance that additional financing will be available or that it will be available on reasonable terms. If financing is obtained by issuing additional Class A Shares of the Corporation, investors may suffer dilution to their holdings of securities of the Corporation.

CURRENCY RISK

The Corporation is exposed to foreign exchange risk through certain operations that require foreign currency translations. More specifically, a significant portion of the fuel consumed by its Maine and New York State wood-residue power stations is purchased in Canadian dollars. Apart from this item, most transactions are denominated in local currency.

With respect to currency translation for its foreign subsidiaries, only two of the Corporation's 21 power stations are located in Canada, whereas 11 are in the United States and eight are in France. Since all subsidiaries are self-sustaining, the impact of exchange rate fluctuations reflects on the Corporation's net investment in its subsidiaries and variances are reported in shareholders' equity, not in the statement of earnings, until the Corporation repatriates the funds to Canada.

FOREIGN OPERATIONS

The Corporation currently has significant operations in the United States and France. Any changes in government policies could have a significant impact on the Corporation's business ventures in such jurisdictions. Risks of foreign operations include, but are not necessarily limited to, changes of laws affecting foreign ownership, government participation and regulation, taxation, royalties, duties, rates of exchange, inflation, foreign exchange controls, repatriation of earnings and civil unrest. There are no assurances that economic and political conditions, in the countries in which the Corporation operates or intends to operate, will continue as they are at present. The effect of these factors cannot be accurately predicted.

HEALTH, SAFETY AND ENVIRONMENTAL RISKS

The ownership and operation of the Corporation's generation assets carry an inherent risk of liability related to worker health and safety and the environment, including the risk of government imposed orders to remedy unsafe conditions and/or to remediate or otherwise address environmental contamination, potential penalties for contravention of health, safety and environmental laws, licenses, permits and other approvals, and potential civil liability. Compliance with health, safety and environmental laws (and any future changes to these laws) and the requirements of licenses, permits and other approvals will remain material to the Corporation's business.

REGULATORY AND POLITICAL ENVIRONMENT

The Corporation's operations are also subject to changes in governmental regulatory requirements or the applicable governing statutes, including regulations related to the environment, unforeseen environmental effects, general economic conditions and other matters beyond the control of the Corporation.

The operation of power generating facilities is subject to extensive regulation by various government agencies at the municipal, provincial and federal levels. There is always the risk of changes to government policies and laws, including changes to income tax, tax on capital and municipal tax rates.

Operations that are not currently regulated may become subject to regulation. Because legal requirements change frequently and are subject to interpretation, the Corporation is unable to predict the ultimate cost of compliance with these requirements or their effect on operations. Some of the Corporation's operations are regulated by government agencies that exercise discretionary power conferred by statutes. Because the scope of such authority is uncertain and may be inconsistently applied, the Corporation is unable to predict the ultimate cost of compliance with these requirements or their effect on operations. The failure of the Corporation to obtain or maintain all necessary licences, leases or permits, including renewals thereof or modifications thereto, may adversely affect its ability to generate revenues.

The Corporation holds permits and licenses from various regulatory authorities for the construction and operation of its facilities. These licenses and permits are critical to the operation of the Corporation's business. The majority of these permits and licenses are long term in nature, reflecting the anticipated useful life of the facilities. These permits and licenses are dependent upon the Corporation's compliance with the terms thereof. In addition, delays may occur in obtaining government approvals required for future power projects.

LITIGATION

In the normal course of its operations, the Corporation may become involved in various legal actions, typically involving claims relating to personal injuries, property damage, property taxes, land rights and contract disputes. The Corporation maintains adequate provisions for its outstanding claims. The final outcome with respect to outstanding or future disputes cannot be predicted with certainty, and therefore there can be no assurance that their resolution will not have an adverse effect on the financial position or operating results of the Corporation in a particular quarter or fiscal year. The Corporation believes that it is not currently involved in any litigation, claim or proceeding whose adverse outcome could have a material adverse effect on its consolidated financial position or results, but this could arise in the future.

NEW ACCOUNTING STANDARDS IN 2008

FINANCIAL INSTRUMENTS – DISCLOSURE AND PRESENTATION

As of January 1, 2008, Boralex adopted the following new sections of the Canadian Institute of Chartered Accountants ("CICA") *Handbook*:

Section 3862, *Financial Instruments – Disclosures* modifies the disclosure requirements for financial instruments that were included in Section 3861, *Financial Instruments – Disclosure and Presentation*. The new standard requires entities to provide disclosures in their financial statements that enable users to evaluate:

- The significance of financial instruments to the entity's financial position and performance; and
- The nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the reporting date, and how the entity manages those risks.

Boralex is not required to present comparative information concerning the nature and extent of risks related to financial instruments for the reporting period in which it adopts Section 3862.

Section 3863, *Financial Instruments – Presentation*, carries forward unchanged the presentation requirements of former Section 3861, *Financial Instruments – Disclosure and Presentation*.

The adoption of these sections did not have any impact on Boralex's earnings, balance sheet or cash flows.

CAPITAL DISCLOSURES

On January 1, 2008, Boralex adopted *CICA Handbook* Section 1535, *Capital Disclosures*. These standards require an entity to disclose the following:

- Its objectives, policies and processes for managing capital;
- Summary quantitative data about what it manages as capital;

- Whether during the period it complied with any externally imposed capital requirements to which it is subject; and
- When the entity has not complied with such requirements, the consequences of such non-compliance.

Adoption of this section had no impact on Boralex's earnings, balance sheet or cash flows.

INVENTORIES

In June 2007, the CICA issued Section 3031, *Inventories*, which provides guidance on the method for determining the cost of inventories. The new accounting standard recommends that inventories be valued at the lower of cost and net realizable value. The standard further requires the reversal of previously recorded writedowns to net realizable value when there is clear evidence that net realizable value has increased. The adoption of this standard had no impact on Boralex's financial statements.

ACCOUNTING POLICIES TO BE ADOPTED IN 2009

GOODWILL AND INTANGIBLE ASSETS

In February 2008, the CICA issued Section 3064, Goodwill and Intangible Assets, which replaces Section 3062, Goodwill and Other Intangible Assets and Section 3450, Research and Development Costs. Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The primary reason for the issuance of this new standard is to provide clarity on the recognition and measurement of internally generated intangible assets, including research and development costs. Section 3064 reinforces a principle-based approach whereby assets are only accounted for if they meet the definition of an asset and the criteria for asset recognition. The standard is effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008 and will be applied to Boralex retroactively as of January 1, 2009 with restatement of prior periods. Boralex has determined that the impact of this section on its consolidated financial statements will be insignificant.

CREDIT RISK AND THE FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

In January 2009, the Emerging Issues Committee of the CICA issued EIC-173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. This Abstract provides guidance on determining the fair value of financial assets and financial liabilities, whereby the Corporation's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of derivative instruments. This standard applies to interim and annual financial statements beginning on or after January 20, 2009. The Corporation is currently assessing the impact of this new standard on its financial position and its financial results.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that Canadian GAAP, as used by publicly accountable enterprises, will be superseded by the International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011. In the year of adoption, companies will be required to provide comparative information as if the financial statements for the preceding year had been prepared in accordance with IFRS. The transition from Canadian GAAP to IFRS will be applicable to the Corporation's first quarter of operations for fiscal 2011, at which time the Corporation will prepare both its fiscal 2011 and fiscal 2010 comparative financial information in accordance with IFRS. IFRS will require additional financial statement disclosures and, while the Corporation's conceptual framework will be similar to GAAP, it will have to reflect differences in accounting principles.

Boralex is currently preparing its IFRS changeover plan. The plan will particularly focus on identifying the differences between IFRS and Boralex's accounting policies, assessing their impact and, where necessary, analyzing the various policies that Boralex could elect to adopt.

ADDITIONAL INFORMATION

Additional information about the Corporation, including its previous annual reports, annual information form, interim reports and press releases, is available on the SEDAR website (www.sedar.com).

Management's report

The consolidated financial statements and other financial information included in the 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 and 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 consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles, 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 consolidated financial statements have been reviewed by the Board of Directors and by its Audit Committee. The Audit Committee is comprised exclusively of independent directors and meets periodically during the year with the independent auditors. The auditors have full access to the Audit Committee and meet with the committee both with and without the presence of Management.

PricewaterhouseCoopers LLP, the independent auditors, have audited the consolidated financial statements of Boralex Inc. The independent auditors' responsibility is to express a professional opinion on the fairness of the consolidated financial statements. The auditors' report outlines the scope of the audit and sets forth their opinion on the consolidated financial statements.

"Patrick Lemaire"
(signed)

Patrick Lemaire
President and Chief Executive Officer

"Jean-François Thibodeau"
(signed)

Jean-François Thibodeau
Vice-President and
Chief Financial Officer

Montréal, Canada
February 25, 2009

Auditors' report

To the shareholders of Boralex Inc.

We have audited the consolidated balance sheets of Boralex Inc. as at December 31, 2008 and 2007 and the consolidated statements of earnings, retained earnings, comprehensive income and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's Management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. These standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"PricewaterhouseCoopers LLP"
(signed)

[1]Chartered accountant auditor permit no. 19653

Montréal, Canada
February 25, 2009

Consolidated Balance Sheets

As at December 31 (in thousands of dollars)	NOTE	2008	2007
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		**69,195**	79,195
Accounts receivable		**48,812**	39,200
Future income taxes	17	**238**	2,394
Inventories		**8,833**	8,002
Prepaid expenses		**2,106**	2,171
		129,184	130,962
Investment	5 a)	**69,348**	67,321
Property, plant and equipment	6	**330,443**	258,712
Power sales contracts	7	**26,402**	18,527
Other assets	8	**68,121**	39,209
		623,498	514,731
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		**22,113**	20,869
Income taxes		**1,716**	1,481
Other liabilities	10	**5,718**	–
Current portion of long-term debt	9	**29,410**	26,786
		58,957	49,136
Long-term debt	9	**158,035**	148,747
Future income taxes	17	**39,616**	23,430
Fair value of derivative financial instruments		**3,000**	1,400
Other liabilities	10	**–**	6,642
Non-controlling interests		**805**	607
		260,413	229,962
SHAREHOLDERS' EQUITY			
Capital stock	12	**222,694**	221,557
Contributed surplus	13	**3,069**	1,974
Retained earnings		**135,783**	115,669
Accumulated other comprehensive income (loss)	14	**1,539**	(54,431)
		363,085	284,769
		623,498	514,731

Approved by the Board of Directors,

"Bernard Lemaire"
(signed)

Bernard Lemaire
Director

"Germain Benoît"
(signed)

Germain Benoît
Director

Consolidated Statements of Earnings

For the years ended December 31 (in thousands of dollars, except per share amounts and number of shares)	NOTE	2008	2007
Revenue from energy sales		**197,246**	163,338
Renewable energy tax credits	10	**12,463**	12,033
Operating costs		**138,327**	110,965
		71,382	64,406
Share in earnings of the Fund		**7,826**	6,830
Management revenues from the Fund	5 b)	**5,395**	5,601
Other revenues		**2,850**	1,946
		87,453	78,783
OTHER EXPENSES			
Management and operation of the Fund		**4,065**	4,510
Administrative expenses		**14,479**	12,989
		18,544	17,499
OPERATING EARNINGS BEFORE AMORTIZATION		**68,909**	61,284
Amortization		**24,533**	21,627
Foreign exchange loss (gain)		**(1,437)**	531
Financial Instruments	11	**143**	(5,491)
Financing costs	16	**13,807**	14,685
		37,046	31,352
EARNINGS BEFORE INCOME TAXES		**31,863**	29,932
Income tax expense	17	**11,321**	8,457
		20,542	21,475
Non-controlling interests		**(146)**	70
NET EARNINGS		**20,396**	21,545
Net earnings per Class A share (basic)		**$0.54**	$0.63
Net earnings per Class A share (diluted)		**$0.54**	$0.62
Weighted average number of Class A shares outstanding (basic)	12	**37,739,840**	34,403,033

Consolidated Statements of Retained Earnings

For the years ended December 31 (in thousands of dollars)	NOTE	2008	2007
Balance – beginning of year		**115,669**	97,649
Share issuance expenses, net of related taxes		**–**	(3,525)
Share redemption premium		**(282)**	–
Net earnings for the year		**20,396**	21,545
Balance – end of year		**135,783**	115,669

Consolidated Statements of Comprehensive Income (loss)

For the years ended December 31 (in thousands of dollars)	NOTE	2008	2007
Net earnings for the year		**20,396**	21,545
Other comprehensive income (loss)			
TRANSLATION ADJUSTMENTS			
Unrealized foreign exchange gains (losses) on translation of financial statements of self-sustaining foreign operations		**41,046**	(24,395)
Foreign exchange gains related to the reduction of net investment in self-sustaining foreign operations		**(1,285)**	–
Share of cumulative translation adjustments of the Fund		**4,297**	(2,670)
Taxes		**(1,012)**	519
CASH FLOW HEDGES			
Change in fair value of financial instruments		**23,541**	2,828
Hedging items realized and recognized in net earnings		**(5,484)**	(1,959)
Hedging items realized and recognized in balance sheet		**(673)**	–
Termination of hedging relationships		**–**	(5,874)
Taxes		**(4,460)**	1,602
		55,970	(29,949)
Comprehensive income (loss) for the year		**76,366**	(8,404)

Consolidated Statements of Cash Flows

For the years ended December 31 (in thousands of dollars)	NOTE	2008	2007
OPERATING ACTIVITIES			
Net earnings		**20,396**	21,545
Distributions received from the Fund	5 a)	**10,326**	12,391
Adjustments for non-cash items			
Financial instruments	11	**143**	(5,491)
Share in earnings of the Fund		**(7,826)**	(6,830)
Amortization		**24,533**	21,627
Amortization of deferred financing costs and monetization program expenses		**2,928**	2,795
Renewable energy tax credits		**(4,583)**	(4,460)
Future income taxes	17	**9,406**	8,348
Other		**(49)**	1,623
		55,274	51,548
Change in non-cash working capital items	18	**(1,005)**	(16,491)
		54,269	35,057
INVESTING ACTIVITIES			
Additions to property, plant and equipment		**(44,577)**	(22,478)
Change in debt servicing reserves		**21**	6,175
Business acquisitions	4	**(5,781)**	–
Development projects		**(5,617)**	(4,609)
Other		**(3,748)**	(2,595)
		(59,702)	(23,507)
FINANCING ACTIVITIES			
Increase in long-term debt		**126**	151,437
Payments on long-term debt		**(19,258)**	(198,454)
Financing costs		**–**	(1,632)
Monetization program and related expenses	10	**–**	(593)
Share repurchase		**(859)**	–
Net proceeds from share issuance		**1,714**	105,307
Other		**36**	(50)
		(18,241)	56,015
TRANSLATION ADJUSTMENT ON CASH AND CASH EQUIVALENTS		**13,674**	(2,269)
NET CHANGE IN CASH AND CASH EQUIVALENTS		**(10,000)**	65,296
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR		**79,195**	13,899
CASH AND CASH EQUIVALENTS – END OF YEAR		**69,195**	79,195
SUPPLEMENTAL INFORMATION			
CASH AND CASH EQUIVALENTS PAID FOR:			
Interest		**9,816**	11,522
Income taxes		**1,783**	1,065

Notes to Consolidated Financial Statements

December 31, 2008 and 2007
(tabular amounts are in thousands of dollars, unless otherwise specified)

Note 1.
Nature of operations and basis of consolidation

Boralex Inc. (“Boralex” or the “Corporation”) operates mainly as a private producer of energy. As at December 31, 2008 and 2007, the Corporation had interests in seven wind power stations, seven hydroelectric power stations, six wood-residue thermal power stations and one natural gas cogeneration power station for a total capacity of 351 megawatts (“MW”*) (351 MW in 2007). The Corporation also manages ten power stations (ten in 2007) owned by Boralex Power Income Fund (the “Fund”), in which the Corporation holds an interest, and two hydroelectric power stations on behalf of an entity controlled by a director and officer of the Corporation.

The consolidated financial statements include the accounts of the Corporation, its subsidiaries and variable interest entities for which it is the primary beneficiary. The investment in the Fund is recorded using the equity method.

*(*Data relating to MW have not been audited by the external auditors.)*

Note 2.
Significant accounting policies

USE OF ESTIMATES AND MEASUREMENT OF UNCERTAINTY

The preparation of financial statements in conformity with Canadian generally accepted accounting principles (“GAAP”) requires Management to make estimates that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the balance sheet dates, as well as the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from these estimates. These estimates are reviewed periodically and adjustments, as they become necessary, are recorded in the period in which they become known.

The key estimates used by the Corporation relate mainly to the assumptions made with respect to the impairment tests of long-lived assets and the recoverability of renewable energy tax credits. The key assumptions are: the future price of electricity and its associated products, the price of other energy sources, particularly those of oil and natural gas, the future costs of wood-residue procurement and the remaining useful life of the energy producing assets, considering planned maintenance over the period.

On a three-year horizon, there exists some liquidity in the electricity open market, making it possible to project the future realization price curve. Beyond that horizon, prices can be negotiated, but often at a significant discount in light of a lack of liquidity in that market. Therefore, the assumption used for pricing beyond the third year consists in adding a reasonable inflation rate to the third year price. Assumptions related to the other sources of energy are made using a similar method since there is a correlation between their price and that of electricity.

With regard to wood-residue costs, this raw material is not traded in an organized open market. Purchases are made based on specific agreements negotiated with each supplier. As most agreements are renewable annually, prices are subject to change. The assumption regarding wood-residue costs is based on the following year’s negociated contract prices, adjusted for the estimated Consumer Price Index (“CPI”) in subsequent years.

Finally, the remaining useful life of the assets will vary with the amount of maintenance work realized each year. When the power stations are sufficiently well maintained, their useful life can be very long and limited only by changes in technology which could make their production method less competitive. Consequently, the forecasts consider sufficient maintenance expenses to ensure that the power stations’ life will last, at a minimum, as long as the forecast period, namely 15 years.

Relating to its investment in the Fund, the Corporation plans to hold it on a long-term basis and continue to receive distributions of its taxable earnings. As a result, the future income tax liabilities related to this investment have been calculated using the taxation rate applicable to business income, which is higher than the rate applicable to capital gains that would apply if Boralex were to dispose of its investment. These estimates could have a significant impact on the operating results and future financial position of the Corporation.

Note 2. Significant accounting policies (Cont'd)

REVENUE RECOGNITION

The Corporation recognizes its energy revenue under the following policies:

REVENUE FROM ELECTRICITY AND STEAM

The Corporation recognizes revenue from energy sales when the energy generated is received by the client and collection is considered likely.

MANAGEMENT REVENUE

Management revenue from the Fund and other revenue are recognized when the service is provided and collection is considered probable.

RENEWABLE ENERGY CERTIFICATES ("REC")

Revenue from RECs is recognized when earned, i.e. when the Corporation has met the quarterly statutory requirements and the value of the RECs can be determined based on sufficient fixed-price and firm sales contracts with unrelated parties.

CASH AND CASH EQUIVALENTS

Cash includes cash on hand and bank balances. Cash equivalents include bankers' acceptances, deposit certificates guaranteed by banks or funds guaranteed by government bonds. These instruments must be readily convertible into known amounts of cash and initially mature within three months or less. These investments are recorded at cost plus accrued interest and their carrying value approximates their fair market value.

INVENTORIES

Inventories represent wood residue and are valued at the lower of cost and net realizable value. Cost is determined using the average cost method.

INVESTMENT

The investment represents the Corporation's share in the Fund and is recorded using the equity method.

PROPERTY, PLANT AND EQUIPMENT, AND AMORTIZATION

Property, plant and equipment, comprised mainly of power stations, are recorded at cost, including interest incurred during the period of construction of new power stations or wind farms. Amortization begins on the date the assets are put into service using the following methods:

WIND POWER STATIONS

Amortization is calculated using the straight-line method over periods of approximately 18 years.

HYDROELECTRIC POWER STATIONS

Amortization of American power stations is calculated using the straight-line method over a period of approximately 40 years. Amortization of Québec power stations is calculated using the compound interest method at a rate of 3% over a similar period.

WOOD-RESIDUE THERMAL POWER STATIONS

Amortization is calculated using the production method based on electricity production. According to this method, the amortization expense recorded in earnings is based on actual production during the period in relation to anticipated long-term production. Assuming stable and continuous production, the amortization period of the equipment is approximately 20 years. Major recurring maintenance is capitalized and amortized over their specific estimated life, which can vary from five to ten years.

NATURAL GAS THERMAL POWER STATION

Amortization is calculated using the straight-line method over an average period of 15 years.

Note 2. Significant accounting policies (Cont'd)

IMPAIRMENT OF LONG-LIVED ASSETS

Long-lived assets are tested for recoverability when particular events or changes in circumstances indicate that their carrying value might not be recoverable. Recoverability is assessed by comparing the carrying value of assets with the estimated value of future cash flows directly associated with the use of the assets. Impaired assets are recorded at fair value, determined primarily by estimating the discounted future cash flows directly associated with their use and eventual disposal.

POWER SALES CONTRACTS

Power sales contracts acquisition costs are amortized using the straight-line method over the remaining term of the contracts, ranging from 12 to 22 years.

OTHER ASSETS

NET INVESTMENT IN CAPITAL LEASES

The Corporation entered into finance-lease transactions in order to ensure a steady supply of wood-residue. Amounts receivable under these leases appear under *Other assets*. Repayments are based on a per-unit rate for the volume of raw material delivered to the Corporation's power stations by the leaseholders. In addition to capital repayments, the Corporation receives interest on amounts receivable; this interest income is recorded against *Financing costs* in the statement of earnings.

RESTRICTED FUNDS

Restricted funds represent funds held in trust for the purpose of meeting the requirements of certain long-term debt agreements. The restricted funds, consisting of deposit certificates, are valued at the lower of cost and market value.

DEVELOPMENT PROJECTS

Project development costs include design and acquisition costs related to new projects. These costs are deferred until construction of the new power station begins, at which time they are included in the cost of the power station or recorded as intangible assets, as appropriate. The Corporation only defers costs for projects when it believes they are more likely than not of being completed. If this probability subsequently declines, the costs deferred to that date are expensed.

CO_2 QUOTA

The quota is recognized at its market value on the allocation date. The Corporation then records an asset and a liability for that same amount. The asset represents the allocated quota, while the liability represents the estimated cost of its consumption. There is no subsequent re-evaluation of the market value for either the asset or the liability. However, if estimated consumption exceeds the quota, the Corporation would recognize an additional liability based on market value at that date, which would affect the Corporation's results. On the other hand, if estimated consumption is less than the quota, the Corporation would be in a position to sell its excess quota. In that event, the Corporation must wait until the execution of a sale before it can reduce its assets and liabilities. Finally, if, subsequent to a sale, the Corporation determined that its consumption had increased and that it had insufficient residual quota, it would recognize an additional liability at market value at that date.

DEFERRED FINANCING COSTS

Deferred financing costs are amortized using the effective interest method over the expected useful life of the related liability and are deducted from financial liabilities. This accounting policy was changed in 2007.

CLASSIFICATION OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are initially recognized at fair value, and their subsequent measurement is dependent on their classification as described below. The classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Corporation's designation of such instruments. The standards require that all financial assets be classified as held for trading ("HFT"), available for sale ("AFS"), held to maturity ("HTM") or loans and receivables. Financial liabilities should be classified as HFT or other liabilities. Derivative instruments are classified as HFT unless they are designated within an effective hedging relationship. The standards further require that all financial assets and liabilities, including all derivatives, be measured at fair value on initial recognition, with the exception of certain related party transactions, and subsequently accounted for based on their classification. The Corporation continues to use settlement date accounting for all financial assets. Changes in fair value of the acquired assets between the trade date and the settlement date are reflected in earnings, other than gains and losses on AFS financial assets, which are reflected in other comprehensive income.

Note 2. Significant accounting policies (Cont'd)

DEFINITION OF TYPES OF FINANCIAL INSTRUMENTS

Held for trading

HFT financial instruments are financial assets and financial liabilities typically acquired or assumed for the purpose of selling or repurchasing the instrument in the near term. The financial instrument is recorded at fair market value determined using market prices. Interest earned, gains and losses realized on disposal and unrealized gains and losses from the change in fair value are reflected in consolidated earnings.

Held to maturity

HTM financial assets are non-derivative financial assets with fixed or determinable payments and a fixed maturity, other than loans and receivables, that an entity has the positive intention and ability to hold to maturity. These financial assets are measured at amortized cost. As at December 31, 2008 and 2007, the Corporation did not hold any HTM financial assets.

Available for sale

AFS financial assets are non-derivative financial assets that are designated as AFS or that are not classified as loans and receivables, HTM investments or HFT financial assets. AFS financial assets are carried at fair value with unrealized gains and losses included in other comprehensive income until realized, at which time the cumulative gain or loss is transferred to the consolidated statement of earnings and presented within loss or gain on financial instruments. When losses on AFS securities are determined to be other than temporary, the cost of the financial asset is written down to fair value with the change recorded in net gains or losses on investments in the consolidated statement of earnings. Securities that are classified as AFS and that do not have a readily available market value are recorded at cost. Dividends and interest income from AFS instruments are recorded in earnings. As at December 31, 2008, the Corporation did not hold any AFS financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date, or on demand, usually with interest. Loans and receivables are recorded at amortized cost using the effective interest method.

Other liabilities

Bank loans and advances, accounts payable and accrued liabilities, other liabilities and long-term debt are recorded at amortized cost using the effective interest method.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

The Corporation uses derivative financial instruments to manage its market risk with respect to the selling price of electricity, as well as its interest rate and exchange rate risks. As a matter of policy, the Corporation does not hold derivatives for trading or speculative purposes.

Derivative financial instruments are recorded at their estimated fair values under *Other assets* or, within the Corporation's liabilities, under *Fair value of derivative financial instruments*, depending on the favourable or unfavourable fair value. The estimated fair value is determined using pricing models that take into account current market prices and contract prices for the underlying instruments, the time value of money and yield curves or future prices.

Embedded derivatives

Derivatives embedded in other financial instruments or contracts are separated from their host contracts and accounted for as derivatives when their economic characteristics and risks are not closely related to those of the host contract. Embedded derivatives are measured at fair value with changes in fair value recognized in earnings. As at December 31, 2008, the Corporation did not hold any embedded derivatives.

Derivative financial instruments held for trading

For these derivative financial instruments, changes in fair value and the final settlement would be immediately recognized in the Corporation's earnings under *Financial instruments*. As at December 31, 2008 and 2007, all derivative financial instruments held by the Corporation were designated as hedging items.

Note 2. Significant accounting policies (Cont'd)

Derivative financial instruments designated as hedges

As the Corporation uses hedge accounting for all derivative financial instruments held, the risk management objective and strategy for hedging transactions as well as all relationships between its hedging instruments and the hedged items are documented. This process involves associating specific balance sheet assets or liabilities, firm commitments or anticipated transactions with each derivative. The Corporation also determines whether the derivatives used for hedging are effective in achieving offsetting changes in the fair value or cash flows of the hedged items. Throughout the hedging relationship, the Corporation must have assurance that the relationships remain highly effective and consistent with its risk management strategy.

If a hedging instrument ceases to exist or to be effective before maturing and is not replaced as part of the documented hedging strategy, previously deferred gains and losses are recognized as of that date in earnings during the period in which the underlying hedged transaction is accounted for. If the hedged item ceases to exist due to its maturity, expiry, cancellation or exercise, deferred gains or losses are charged to earnings, as well as subsequent changes in the value of the hedging instrument.

In accordance with hedge accounting, gains, losses, revenue and expenses arising from the derivative financial instrument designated in a hedging relationship must be recognized in the same period as those arising from the hedged item. Changes in fair value are recorded under *Accumulated other comprehensive income* until the settlement date of the derivative instrument, except for the ineffective portion of the derivative financial instruments, which is immediately included in earnings under *Financial instruments*. Payments made or received with respect to derivative financial instruments used for hedging are included in *Revenue from energy sales* for electricity-related financial swaps and under *Financing costs* for interest rate swaps. For derivative financial instruments designated as hedges of future capital asset purchases, payments are recorded against the capital asset hedged.

TRANSACTION COSTS

Transaction costs related to HFT financial assets and liabilities are expensed as incurred. Transaction costs related to HTM financial assets, loans and receivables and other financial liabilities are reflected in the carrying amount of the asset or liability and are then amortized over the estimated useful life of the instrument using the effective interest method. Transaction costs related to AFS assets are capitalized on initial recognition and transferred to other comprehensive income immediately after capitalization.

DETERMINATION OF 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. The fair value of a financial instrument on initial recognition is the transaction price, which is the fair value of the consideration given or received. Subsequent to initial recognition, the fair values of financial instruments that are quoted in active markets are based on bid prices for financial assets held and offer prices for financial liabilities. When independent prices are not available, fair value is determined using valuation techniques based on observable market data. These include comparisons with similar instruments where observable market prices exist, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. For certain derivatives, fair value may be determined in whole or in part from valuation techniques using non-observable market data or transaction prices. A number of factors such as bid-offer spread, credit profile and model uncertainty are taken into account, as appropriate, when values are calculated using valuation techniques.

The carrying amount of certain financial instruments with short-term maturities approximates their fair value. These financial instruments consist of cash and cash equivalents, accounts receivable, restricted funds and other funds held in trust, investments, bank loans and advances, accounts payable and accrued liabilities and other liabilities.

The fair value of long-term debt is essentially based on the calculation of discounted cash flows, using current borrowing rates for debts with similar features, or market prices. The fair value of derivative financial instruments corresponds approximately to the amounts which could be exchanged between two willing parties, based on current market data for similar instruments. Consequently, the estimated fair value must not be interpreted as realizable upon the immediate settlement of the instruments.

The fair value of electricity price hedging instruments is established by discounting the cash flows related to such contracts and factoring in future electricity selling prices. Over a three-year horizon, there is some liquidity in the electricity market, making it possible to establish forward selling price curves. Beyond that horizon, prices can be negotiated, but often at a significant discount in light of a lack of liquidity in that market. Therefore, the assumption used for pricing beyond the third year consists in adding a reasonable inflation rate to the third year forward price.

Note 2. Significant accounting policies (Cont'd)

With regard to interest rate swaps, such instruments are measured by discounting the anticipated cash flows using future interest rate curves. The market for interest rate swaps is very active and liquid, and Boralex uses interest rate curves published by recognized market participants.

INCOME TAXES

The Corporation uses the liability method in accounting for income taxes. Under this method, future income taxes are determined using the difference between the accounting and tax bases of assets and liabilities. The tax rate in effect when these differences will reverse is used to calculate future income taxes at the balance sheet date. Future income tax assets arising from losses carried forward and temporary differences are recognized when it is more likely than not that the assets will be realized.

FOREIGN CURRENCY TRANSLATION

FOREIGN CURRENCY TRANSACTIONS

Transactions denominated in foreign currencies are recorded at the rate of exchange prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into the local currency at the rate of exchange prevailing at the balance sheet date. Unrealized gains and losses on translation of monetary assets and liabilities are included in the determination of net earnings for the year.

FOREIGN OPERATIONS

The Corporation's foreign operations are defined as self-sustaining. The assets and liabilities of these operations are translated into Canadian dollars at the exchange rate prevailing at the balance sheet date. Revenue and expenses are translated at the average exchange rate for the year. Translation gains or losses are deferred and included in *Accumulated other comprehensive income (loss)*.

OTHER LIABILITIES

Other liabilities correspond to the balance of the Corporation's obligation in connection with the initial payment received upon implementing its U.S. renewable energy tax credits monetization program, net of monetization program expenses. This amount will flow through earnings as the credits are earned by the power stations in the program. See note 10 to the consolidated financial statements for more details on the program.

Amortization of monetization program implementation expenses is calculated using the effective interest method over the term of the program, which is approximately three years.

STOCK-BASED COMPENSATION AND OTHER STOCK-BASED PAYMENTS

The Corporation uses the fair value method to record stock options issued to senior Management and executives. According to this method, an amount is expensed based on the exercise conditions of the options awarded. 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 expenses* and the cumulative value of unexercised options outstanding is included under *Contributed surplus*.

PER SHARE AMOUNTS

Per share amounts are determined based on the weighted average number of Class A shares outstanding during the year. Diluted amounts per common share are calculated using the treasury stock method to determine the dilutive effect of the stock options. 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, this method assumes 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.

Note 2. Significant accounting policies (Cont'd)

ASSET RETIREMENT OBLIGATIONS

An asset retirement obligation is valued at its fair value in the period in which the legal obligation is incurred. A conditional asset retirement obligation is valued at its fair value when it can be reasonably estimated. The related costs are capitalized, which increases the value of the asset, and are depreciated over the asset's useful life. The obligation is discounted using a credit-adjusted risk-free rate.

The Corporation has no contractual asset retirement obligations. However, according to current regulations, the Corporation may be obliged to carry out certain work should it discontinue some of its activities. According to the regulations, lessees must leave property in the same condition as when they arrived. However, structures or buildings can normally be handed over to the lessor, without compensation, should it prove impossible to remove them. This is generally the case for hydroelectric facilities, whose presence modifies the ecosystem and economic life in surrounding areas. It is usually more beneficial for the environment, local residents and companies to keep the dam.

With respect to wind power stations, there is a French regulation that requires the owner to dismantle the facilities when deciding to discontinue operations. The dismantling costs are mostly related to the removal, transportation and disposal of the reinforced concrete bases that support the wind turbines. The estimated cost of this work varies from $70,000 to $130,000 per wind turbine. The current business plan does not anticipate that the Corporation will stop operating these sites.

Lastly, the Corporation has environmental obligations with respect to its wood-residue thermal power stations. In fact, if a 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 the additional cleaning costs would be approximately $100,000 to $150,000 per site. However, since this obligation only applies when a site is sold and that the resulting costs would be negligible in relation to the value of the other assets in this type of power station, the costs would likely be included in the transaction and the Corporation would not have to pay anything.

In short, no liability was recorded because the Corporation plans to use these assets for an indefinite period. For these property, plant and equipment, the information available is insufficient to determine a realistic schedule for future asset retirement. A liability will be recorded in the period in which the Corporation obtains sufficient information to establish such a schedule.

RENEWABLE ENERGY TAX CREDITS

In the second quarter of 2005, Boralex adopted the recommendations of Section 3805 of the Canadian Institute of Chartered Accountants ("CICA") *Handbook*, *Investment Tax Credits*. This accounting standard was adopted because of a new U.S. tax credit program under the *American Jobs Creation Act*, in which a tax credit can be granted to companies if the process used to generate electricity meets the qualifying criteria. Boralex wood-residue thermal power stations meet these criteria, thus enabling the Corporation to take advantage of this tax benefit, which is based on the amount of electricity generated from the qualified source.

Section 3805 recommends that renewable energy tax credits attributed on the basis of incurred operating expenses should be recorded as a reduction of operating costs for the period in which the credits were earned, to the extent that there is a reasonable assurance that they will be recoverable during their lifetime.

COMPARATIVE FIGURES

Certain items of the prior year's consolidated financial statements have been reclassified to conform to the presentation adopted in 2008.

Note 3.
Change in accounting policies

New accounting policies adopted in 2008

FINANCIAL INSTRUMENTS – DISCLOSURE AND PRESENTATION

On January 1, 2008, the Corporation adopted the following new sections of the CICA *Handbook:*

Section 3862, *Financial instruments – Disclosures*, modifies the disclosure requirements for financial instruments that were included in Section 3861, *Financial Instruments – Disclosure and Presentation*. The new standard requires entities to provide disclosures in their financial statements that enable users to evaluate:

- The significance of financial instruments to the entity's financial position and performance; and
- The nature and extent of risks arising from financial instruments to which the entity was exposed during the period and at the reporting date, and how the entity manages those risks.

The Corporation is not required to present comparative information concerning the nature and extent of risks related to financial instruments for the reporting period in which it adopts Section 3862.

Section 3863, *Financial instruments – Disclosures*, carries unchanged the disclosure requirements for financial instruments that were included in Section 3861, *Financial instruments – Disclosure and Presentation*.

The adoption of these sections had no impact on the Corporation's earnings, balance sheet or cash flows. The impact of these changes is set out in note 11 to the consolidated financial statements.

CAPITAL DISCLOSURES

On January 1, 2008, the Corporation adopted *CICA Handbook* Section 1535, *Capital Disclosures*. These standards require an entity to disclose the following:

- Its objectives, policies and processes for managing capital;
- Summary quantitative data about what it manages as capital;
- Whether during the period it complied with any externally imposed capital requirements to which it is subject; and
- When the entity has not complied with such requirements, the consequences of such non-compliance.

The adoption of this section had no impact on the Corporation's earnings, balance sheet or cash flows. The impact of these changes is disclosed in note 15, *Capital Disclosures*.

INVENTORIES

In June 2007, the CICA issued Section 3031, *Inventories*, which provides guidance on the method for determining the cost of inventories. The new accounting standard recommends that inventories be valued at the lower of cost and net realizable value. The standard further requires the reversal of previously recorded writedowns to net realizable value when there is clear evidence that net realizable value has increased. The adoption of this standard had no impact on the Corporation's consolidated financial statements.

Accounting policies to be adopted in 2009

GOODWILL AND INTANGIBLE ASSETS

In February 2008, the CICA issued Section 3064, *Goodwill and Intangible Assets*, which replaces Section 3062, *Goodwill and Other Intangible Assets* and Section 3450, *Research and Development Costs*. Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The primary reason for the issuance of this new standard is to provide clarity on the recognition and measurement of internally generated intangible assets, including research and development costs. Section 3064 reinforces a principle-based approach whereby assets are only accounted for if they meet the definition of an asset and the criteria for asset recognition. The standard is effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008 and will be applied to Boralex retroactively as of January 1, 2009 with restatement of prior periods. Boralex has determined the impact of this section on its consolidated financial statements will be insignificant.

(tabular amounts are in thousands of dollars, unless otherwise specified)

Note 3. Change in accounting policies (Cont'd)

CREDIT RISK AND THE FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

In January 2009, the Emerging Issues Committee of the CICA issued EIC-173, *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities*. This Abstract provides guidance on determining the fair value of financial assets and financial liabilities, whereby the Corporation's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of derivative instruments. This standard applies to interim and annual financial statements beginning on or after January 20, 2009. The Corporation is currently assessing the impact of this new standard on its financial position and its financial results.

Note 4. Business acquisitions

On August 8, 2008, Boralex acquired Merlin Wind Farm Inc. for the purpose of building the 90 MW Merlin-Buxton wind power project in Southern Ontario. This company owned all the required options to lease the required farmland for construction of the wind power turbines, as well as the wind data needed to validate the business case. Consideration consisted of $1,250,000 in cash and was recognized in *Development projects*.

On September 29, 2008, Boralex exercised four of the nine options it acquired from Gengrowth LP in July 2007. The exercise of these options resulted in the acquisition of four companies with power sales contracts, wind measures, land lease options and the various permits required to build the wind power stations. Each station will have a 10 MW installed capacity, and construction began in October 2008. Consideration consisted of $4,531,000 in cash and was recognized under *Power sales contracts.*

Note 5. Investment

The Fund is an income trust in which the Corporation held a 23% interest as at December 31, 2008 and 2007.

a) Changes to the investment in the Fund consist of the following:

	2008	2007
Balance, beginning of year	**67,321**	75,553
Share in earnings	**7,826**	6,830
Share in distributions	**(10,096)**	(12,391)
Share in cumulative translation adjustments	**4,297**	(2,671)
	69,348	67,321

b) In relation to the Fund:

i) Under the terms of a management agreement ending February 19, 2022 with renewable successive five-year terms, subject to fulfillment of the manager's obligations, the Corporation has undertaken to provide operation, supervision, maintenance, security, management and administration services for eight power stations. These services cover all employee wages, salaries and benefits related to these facilities, as well as the use of the Corporation's centralized control system. The fee is indexed annually based on the Consumer Price Index for the preceding 12 months. For the year ended December 31, 2008, the management fee under this agreement was $4,961,000 ($5,223,000 for 2007);

ii) The Corporation has undertaken to provide, according to terms similar to those described in i), the complete management of two hydroelectric power stations located in the State of New York (the "Adirondack facilities") and owned by the Fund. More specifically, the amounts payable under this agreement are limited to operating expenses and annual compensation to the Corporation covering the employee wages, salaries and benefits related to the operation, supervision, maintenance, security, management and administration of the Adirondack facilities and of the overhead expenses thereof. The fees under this agreement amounted to $434,000 for the year ended December 31, 2008 ($378,000 in 2007). This agreement will end in 2023 but is renewable for additional five-year terms at the option of the manager.

c) Management revenue from the Fund was generated in the normal course of business and is related to the commitments described in b) above. Furthermore, as at December 31, 2008, accounts receivable included an amount of $1,108,000 receivable from the Fund ($1,616,000 in 2007), of which $803,000 was in the form of distributions receivable ($1,033,000 in 2007).

(tabular amounts are in thousands of dollars, unless otherwise specified)

Note 5. Investment (Cont'd)

d) The table below contains financial information from the consolidated financial statements of the Fund as at December 31, 2008 and 2007 and for the years then ended:

	2008	2007
CONSOLIDATED BALANCE SHEETS		
Working capital, net	**22,503**	13,803
Intangible assets and goodwill	**66,990**	99,933
Property, plant and equipment and other long-lived assets	**381,868**	376,068
Long-term liabilities	**(165,477)**	(153,209)
Total net assets	**305,884**	336,595

	2008	2007
CONSOLIDATED STATEMENTS OF EARNINGS		
Revenues	**109,343**	102,168
Operating earnings before amortization	**57,724**	55,241
Net loss	**(5,839)**	(35,693)
CONSOLIDATED STATEMENTS OF CASH FLOWS		
Operating activities	**53,900**	46,266
Investing activities	**(3,811)**	(4,001)
Financing activities	**(46,326)**	(53,641)

In 2008, $16,243,000 in goodwill and $17,724,000 in power and steam sales contracts related to the Dolbeau power station were written off subsequent to the annual impairment test carried out by the Fund along with independent valuation professionals. Due to significant changes in this power station's operating environment, the Fund concluded that the power station's aggregate value over a long-term horizon had declined. These factors include:

- Reduced availability of raw materials caused by economic conditions coupled with reduced cutting rights in Québec;
- Litigation in respect of the continuity of the service agreement with AbitibiBowater ("ABI"); and
- Credit quality downgrade of ABI due to a high short-term debt/equity ratio coupled with a less favourable profitability outlook in the pulp and paper industry.

Since the adoption in 2007 of new tax rules that apply to public income trusts, the Fund recorded a future income tax expense of $41,958,000. Since Boralex had already recorded future income taxes for its interest in the Fund, the expense did not have an impact on Boralex's share in the Fund. Furthermore, it should be noted that as at December 31, 2007, the Fund recorded an expense of $13,997,000 for the amortization of a goodwill item. Due to the change in supply and demand for electricity in Québec, the Fund had to reposition its estimates regarding the renewal price of its contract with Hydro-Québec for its natural gas cogeneration power station.

Since the adjustments to the fair value of assets acquired by the Fund had not been recognized in Boralex's investment at the initial public offering of the Fund, write-off of these assets by the Fund had no significant impact on Boralex's earnings.

For the year ended December 31, 2008, 72% of the Fund's revenue was realized in Canada and 28% in the United States (74% and 26% in 2007). As at December 31, 2008, 67% of property, plant and equipment were located in Canada (72% in 2007) and 33% in the United States (28% in 2007).

(tabular amounts are in thousands of dollars, unless otherwise specified)

Note 6.
Property, plant and equipment

			2008
	COST	ACCUMULATED AMORTIZATION	NET AMOUNT
Wind power stations	**239,315**	**40,880**	**198,435**
Hydroelectric power stations	**14,677**	**3,350**	**11,327**
Wood-residue thermal power stations	**153,547**	**51,174**	**102,373**
Natural gas thermal power station	**17,867**	**8,491**	**9,376**
Corporate and eliminations	**12,070**	**3,138**	**8,932**
	437,476	**107,033**	**330,443**

			2007
	COST	ACCUMULATED AMORTIZATION	NET AMOUNT
Wind power stations	175,563	23,548	152,015
Hydroelectric power stations	12,617	2,588	10,029
Wood-residue thermal power stations	116,485	33,329	83,156
Natural gas thermal power station	15,047	6,109	8,938
Corporate and eliminations	7,137	2,563	4,574
	326,849	68,137	258,712

Amortization of property, plant and equipment amounted to $22,762,000 for the year ended December 31, 2008 ($20,693,000 in 2007) including an amount of $2,218,000 relating to capital leases ($2,167,000 in 2007). Those amounts are presented under *Amortization*. Cost and accumulated amortization of assets under capital leases totalled $36,391,000 and $15,255,000, respectively, as at December 31, 2008 ($30,802,000 and $10,872,000 as at December 31, 2007).

Property, plant and equipment include replacement parts for an amount of $2,502,000 ($2,092,000 in 2007) and wind power stations under construction for $29,077,000 ($3,752,000 in 2007). These property, plant and equipment are not amortized until they are commissioned.

In 2008, interest in the amount of $55,000 was capitalized to the cost of property, plant and equipment constructed ($371,000 in 2007).

Note 7.
Power sales contracts

	2008	2007
Cost	**31,363**	21,373
Accumulated amortization	**4,961**	2,846
	26,402	18,527

Amortization of long-term power sales contracts amounted to $1,683,000 for the year ended December 31, 2008 ($842,000 for 2007) and is included in *Amortization***.**

(tabular amounts are in thousands of dollars, unless otherwise specified)

Note 8.
Other assets

	NOTE	2008	2007
Renewable energy tax credits	a)	**22,238**	17,573
Restricted funds and other funds held in trust	b)	**1,741**	1,519
Net investments in capital leases	c)	**10,738**	6,669
Fair value of derivative financial instruments		**20,238**	6,863
Deferred costs		**544**	519
CO_2 quota		**367**	–
Development projects	d)	**12,093**	5,988
Investments		**162**	78
		68,121	39,209

Amortization of deferred costs was $88,000 in 2008 ($92,000 in 2007). This amount is recorded under *Amortization*.

Notes:

a) Renewable energy tax credits represent tax credits earned by the Corporation before it set up the monetization program (Note 10), as well as tax credits attributable to subsequently acquired power stations. Tax credits earned will be used against future income taxes. Financial projections indicate that the amount recorded may be realized in the next 3 to 5 years.

b) As at December 31, 2008, reserves for long-term debt servicing guaranteed financing in France and Canada. Reserves amounted to $1,551,000 (€910,000) in France and $190,000 in Canada. These reserves represent from three to six months of debt servicing, depending on the project.

c) Financing leases are entered into with U.S. and Canadian suppliers. As at December 31, 2008, foreign currency receivables were respectively US$6,780,000 ($8,303,000) and $2,435,000.

d) Development projects primarily consist of two wind power projects in Ontario, one solar project in Spain, one wind power project in Québec and one hydroelectric project in British Columbia.

Note 9.
Long-term debt

Long-term debt includes the following:

	NOTE	MATURITY	RATE[1]	2008	2007
Bridge financing credit facility	a)	2009	4.90	**11,591**	9,811
Master agreement – wind power projects	b)	2017-2022	4.99	**145,807**	135,839
Term loan payable – Nibas wind farm	c)	2016	5.00	**12,482**	11,657
Term loan payable – Stratton power station	d)	2010	5.32	**3,302**	3,455
Capital leases	e)	2012-2015	5.74	**14,831**	14,943
Other debts				**3,725**	4,450
				191,738	180,155
Current portion				**(29,410)**	(26,786)
Financing costs, net of accumulated amortization				**(4,293)**	(4,622)
				158,035	148,747

(1) Weighted average annual rates for 2008, adjusted to reflect the impact of interest rate swaps.

Note 9. Long-term debt (Cont'd)

a) The €6,800,000 bridge financing facility (€6,800,000 in 2007) bears interest at a variable rate based on EURIBOR rates plus a margin. To secure the credit, Boralex issued a letter of credit for $11,591,000 in 2008 ($9,811,000 in 2007) drawn from its revolving credit. Since it expired on December 31, 2008, the facility was renewed until December 31, 2009 and is repayable in four equal instalments to be made on April 15, July 15, October 15 and December 31, 2009.

b) This master agreement includes a maximum senior credit facility of €250,000,000 and a maximum junior credit facility of €15,000,000. The amounts can be drawn down until December 31, 2010 subject to certain suspensive conditions. As of December 31, 2008, €94,150,000 (€94,150,000 as at December 31, 2007) had been drawn down, and the Corporation had an unused balance of approximately €170,850,000 ($291,000,000).

   To cover potential temporary working capital requirements for debt servicing, the lenders also granted two lines of credit for $8,578,000 (€5,032,000) and $958,000 (€562,000), respectively. As at December 31, 2008, these lines of credit were undrawn.

   Financing issued under the master agreement is secured by the projects' assets. However, the junior facility is subordinated to the senior facility. The variable interest rate is based on the EURIBOR rate, plus a margin, but the Corporation used interest rate swaps to reduce its exposure to interest rate fluctuations as discussed below. Repayments are made on a semi-annual basis.

As at December 31, 2008, the following funds were available under the master credit agreement:

(in thousands of euros)	CREDIT LIMITS	AMOUNTS DRAWN	AVAILABLE
Senior credit	250,000	87,100	162,900
Junior credit	15,000	7,050	7,950
	265,000	94,150	170,850

c) This loan payable bears interest at a fixed rate of 5.00% and repayments are semi-annual. As at December 31, 2008, the balance was €7,322,000 (€8,079,000 in 2007). All Nibas wind farm assets were pledged as collateral for this loan.

d) This loan payable bears interest at a variable rate based on U.S. prime rates or money market rates, plus a margin. The loan, which matures on July 31, 2010, is repayable in quarterly instalment. As at December 31, 2008, the balance was US$2,696,000 (US$3,496,000 in 2007). All assets of the Stratton power station were pledged as collateral.

e) The capital leases relate to assets located in France. The balance of the leases was €8,700,000 as at December 31, 2008 (€10,357,000 in 2007). They bear interest at fixed and variable rates and are repayable on a quarterly basis. The net carrying value of associated capital assets was €12,399,000 ($21,136,000) as at December 31, 2008 (€13,813,000 or $19,930,000 in 2007).

REVOLVING CREDIT FACILITY

In addition, Boralex has a revolving credit facility with an authorized maximum amount of $55,000,000, bearing interest at a variable rate based on Canada's prime rates or money market rates, plus a margin. This credit facility is secured by Boralex's investment in the Fund, based on the following formula: amounts advanced may not exceed 60% of the market value of the investment. If the market value of the investment were to drop below this limit, creditors would be entitled to demand repayment of a portion of the amounts advanced in order to re-establish the coverage ratio. On October 23, 2008, Boralex requested a reduction in the authorized amount, initially set at $85,000,000. Given that the fair value of the Fund's trust units has significantly decreased since the implementation of the revolving credit facility, Boralex was no longer in a position to draw down the full amount but was nonetheless required to pay standby fees on the credit facility's total amount. As at December 31, 2008, the Corporation had issued letters of credit totalling $15,543,000 (including the letter of credit discussed in a). Lastly, the market value of one Fund unit was $3.18 on December 31, 2008 and the repayment threshold was $1.89 (including all outstanding letters of credit issued against the operating credit facility). Toward the end of 2007, the revolving period was extended to January 27, 2011.

Amortization of financing costs amounted to $1,009,000 for the year ended December 31, 2008 ($848,000 in 2007).

INTEREST RATE SWAPS

The revolving credit, bridge credit facility, master agreement, term loan for the Stratton power station, together with a portion of certain leases bear interest at a variable rate. To offset the interest rate risk, the Corporation has entered into interest rate swaps to fix the interest expense on portions varying from 58% to 89% of the corresponding debt. These agreements involve the periodic exchange of interest payments without any exchange of the principal on which such payments are calculated. Under these agreements, the Corporation receives a variable amount based on the EURIBOR rate and pays fixed amounts based on rates of 3.30% to 5.16%.

(tabular amounts are in thousands of dollars, unless otherwise specified)

Note 9. Long-term debt (Cont'd)

Since the credit is drawn progressively 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 these arrangements. By using these instruments, the Corporation has reduced the proportion of its variable rate debt from 86% to 17%.

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 meet designated levels on a quarterly, semi-annual or annual basis.

The senior and junior secured debt and certain other debts or interest rate swaps include requirements to establish and maintain reserve accounts to cover short-term debt service, equipment maintenance, and income taxes at various times during the terms of the agreements. As at December 31, 2008, $1,741,000 ($1,519,000 in 2007) was kept in reserve accounts. These amounts are included in *Other assets* on the Corporation's consolidated balance sheet.

In addition to assets under capital leases and the investment in the Fund pledged as collateral for the revolving credit facility, the property, plant and equipment of the Stratton power station, one Canadian power station and the French power stations, with a net carrying amount totalling $188,684,000 as at December 31, 2008 ($167,790,000 in 2007), together with the related working capital items, have been pledged as collateral.

MINIMUM FUTURE PAYMENTS

The estimated aggregate amount of repayments on long-term debt in each of the next five years is as follows:

2009	29,410
2010	20,015
2011	15,704
2012	13,356
2013	13,645

Note 10.
Renewable energy tax credit monetization program

As at December 31, 2008, other liabilities represented the balance of the Corporation's obligation related to the initial payment received upon implementing the monetization program, amounting to $7,920,000 (US$6,467,000) ($10,195,000 and US$10,318,000 as at December 31, 2007) less monetization program expenses of $2,202,000 (US$1,798,000) ($3,553,000 and US$3,596,000 as at December 31, 2007) for a net amount of $5,718,000 (US$4,669,000) ($6,642,000 and US$6,722,000 as at December 31, 2007).

Amortization of monetization program expenses was $1,919,000 for the year ended December 31, 2008 ($1,947,000 in 2007).

DESCRIPTION OF THE TRANSACTION

In December 2006, the Corporation entered into a transaction enabling it to realize more quickly the value of the renewable energy tax credits to be earned by some of its U.S. wood-residue thermal power stations. The investor must be the owner of the power stations in order to benefit from these credits. Accordingly, the transaction also included the transfer of power station ownership. However, the Corporation continues to consolidate these facilities under AcG-15, which sets out the rules for consolidating variable interest entities. Although the Corporation no longer holds majority voting rights for these operations, it is still the primary beneficiary since it will receive all of the cash flows generated by these power stations and absorb operating losses, if any.

In addition, the Corporation continues to operate these facilities under a service agreement that allows it to define strategic and operating parameters. Furthermore, the Corporation can recover its ownership interests in the power stations in the event of default by the investor in relation to the collateral security guaranteeing receipt by the Corporation of payment for the generated tax credits and the cash flows generated by the power stations.

On December 1, 2006, the Corporation received $16,719,000 (US$14,500,000), or approximately 50% of the value of the tax credits that will be generated between the transaction date and the program end-date of December 31, 2009. The balance of the credits will be received as and when the credits are generated. If the Corporation cannot generate enough energy to cover the value of the amount initially paid by the investor, the contract requires the Corporation to repay that portion. The Corporation believes that future power generation will be sufficient to cover all of its commitments. The agreements state that by the end of the program, the Corporation's share of the profits generated by the power stations will automatically be adjusted to a minimum of 80% and that it will have the obligation to buy back the assets for an amount that, based on current estimates, will total approximately US$5,000,000.

(tabular amounts are in thousands of dollars, unless otherwise specified)

Note 11.
Financial instruments

CLASSIFICATION OF FINANCIAL INSTRUMENTS

The classification of financial instruments as at December 31, 2008, complete with the respective carrying amounts and fair values, is as follows:

DECEMBER 31, 2008	ASSETS HELD FOR TRADING	LOANS AND RECEIVABLES	OTHER LIABILITIES	CARRYING AMOUNT	FAIR VALUE
Cash and cash equivalents	69,195			69,195	69,195
Accounts receivable		48,812		48,812	48,812
Restricted funds and other funds held in trust		1,741		1,741	1,741
Investments		162		162	162
Accounts payable and accrued liabilities			22,113	22,113	22,113
Other liabilities			5,718	5,718	5,718
Long-term debt			191,738	191,738	191,081

The carrying amount and fair value of the derivative financial instruments designated as cash flow hedges as at December 31, 2008 are detailed as follows:

DECEMBER 31, 2008	ASSETS	LIABILITIES
Financial swaps – interest rates	65	3,000
Financial swaps – electricity prices	20,173	–
Total	20,238	3,000

MANAGEMENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

In the normal course of business, the Corporation is exposed 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

In the normal course of business, the Corporation is not significantly exposed to currency fluctuations because its foreign operations are self-sustaining and it generally retains liquid assets in the country in which they are generated to continue developing such foreign operations in their country of origin. The Corporation is exposed, however, to a foreign exchange risk relating to certain transactions entered into in foreign currencies. Specifically, a proportion of the raw materials used in the Corporation's wood-residue power stations in the United States are purchased with Canadian dollars. The majority of other operating, investing and financing transactions are carried out in the power stations' local currencies.

Given that the Corporation is not significantly exposed to foreign exchange risk in its regular operating activities, its foreign exchange risk management focus rather on protecting returns on its development projects. Where firm commitments are made in connection with a project requiring future cash outlays in a foreign currency, the Corporation enters into hedging transactions to mitigate the risk of fluctuations in said currency.

With regard to the Ontario Thames River wind power project's initial 40 MW phase, the turbine supplier is European, which means that purchases will be settled in euros, whereas the operation of these power stations will generate cash flows in Canadian dollars. To protect the expected project return, the Corporation has entered into forward contracts enabling it to set an exchange rate of C$1.42 per euro on 75% of its purchases. Since the Corporation applied hedge accounting to all forward currency contracts and to the balance arising from their settlement during 2008, gains and losses resulting from the change in fair value of the effective portion of these hedging items are included under *Other comprehensive income* until the date of purchase of the underlying capital assets. Their purchase cost is then adjusted for such amount. Accordingly, an amount of $6,738,000 before tax was recognized in other comprehensive income as at December 31, 2008. The cost of turbines at the time of purchase scheduled for early 2009 will be adjusted for this full amount. Also a pre-tax gain of $52,000 related to the ineffective portion of these contracts was accounted for under *Financial instruments* in the consolidated statement of earnings.

Note 11. Financial instruments (Cont'd)

During the second quarter of 2008, the Corporation undertook to purchase 15 additional turbines in 2009 from the same supplier to build another two 10 MW wind power farms on the Thames River site in Ontario. The Corporation decided not to immediately hedge the required euro purchases for payment of these turbines due to the strength of the euro against the Canadian dollar. The Corporation will enter into forward contracts once exchange rates fall within a pre-determined range.

On December 31, 2008, an additional $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 $1,004,000 increase or decrease, respectively, in the Corporation's net earnings for the year ended December 31, 2008, whereas other comprehensive income would have increased or decreased by $6,416,000, respectively, net of taxes.

PRICE RISK

In the Northeastern United States, a large portion of the Corporation's power generation is sold on the spot market or under short-term contracts and is accordingly subject to fluctuations in electricity prices. Electricity prices vary according to supply, demand and certain external factors, including weather conditions, the price of power from other sources and the cost of the raw materials needed to generate electricity. As a result, prices may fall too low for the power stations to yield an operating profit. The Corporation has implemented hedging strategies for electricity prices to fix some prices and mitigate certain risks, some of which may involve the physical delivery of electricity.

For pricing reasons, it can be advantageous under certain conditions to use financial swaps to exchange the variable market price for a fixed price agreed upon with a counterparty. As at December 31, 2008, the Corporation had entered into six electricity financial swaps for total deliveries of 750,120 MWh over periods of two to 26 months. All electricity financial swaps as at December 31, 2008 were designated as variable cash flow hedges associated with future electricity deliveries and their favourable fair value amounted to $20,173,000. Accordingly, unrealized gains and losses resulting from changes in fair value of the effective portion of these contracts are included in other comprehensive income until the corresponding hedged item is recognized in earnings; the change is then recognized in earnings under *Revenues from energy sales*. The Corporation expects that, over the coming 12 months, pre-tax revenue totalling approximately $15,704,000 will be reclassified from other comprehensive income to the statement of earnings. For the year ended December 31, 2008, a pre-tax gain of $750,000 related to the ineffective portion of these contracts was recognized under *Financial instruments* in the consolidated statement of earnings.

Our power stations in France and Canada, as well as that in Middle Falls, have long-term power sales contracts immune to fluctuations in electricity prices. With 80% of its planned output hedged by a swap maturing in February 2011, the Ashland power station will sell its power on the open market of NEPOOL. Also, a new two-year power sales contract was entered into for the Fort Fairfield power station as of March 1, 2009.

On December 31, 2008, an additional 5% rise or fall in electricity prices, assuming that all other variables had remained the same, would have resulted in a $1,564,000 increase or decrease, respectively, in the Corporation's net earnings for the twelve-month period ended December 31, 2008, whereas other comprehensive income would have decreased or increased by $1,797,000, respectively, net of taxes.

INTEREST RATE RISK

The revolving credit facility, bridge financing credit facility, master agreement, term loan payable of the Stratton power station, together with a portion of certain capital leases, bear interest at variable rates. To mitigate interest rate risk, the Corporation has entered into interest rate swaps to obtain a fixed interest expense on portions varying from 58% to 89% of the corresponding debt. These agreements involve the periodic exchange of interest payments without any exchange of the principal on which such payments are calculated. Under these agreements, the Corporation receives a variable amount based on the EURIBOR rate and pays fixed amounts based on rates of 3.30% to 5.16%. Since the credit is drawn progressively 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 these arrangements. By using these instruments, the Corporation has reduced the proportion of its variable rate debt from 86% to 17%. As at December 31, 2008, the notional balance of these swaps was $133,731,000 (€78,453,000) and their unfavourable fair value amounted to $2,935,000 (€1,722,000). These swaps mature between 2010 and 2021 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 other comprehensive income until the corresponding hedged item is recognized in earnings; the change is then recognized in earnings as an adjustment to *Financing costs*.

Note 11. Financial instruments (Cont'd)

The Corporation expects that, over the coming 12 months, an expense totalling approximately $1,618,000 before tax will be reclassified from other comprehensive income to the statement of earnings. For the year ended December 31, 2008, a pre-tax expense of $10,000 related to the ineffective portion of these contracts was recognized under *Financial instruments* in the consolidated statement of earnings.

On December 31, 2008, a 5% rise or fall in interest rates, assuming that all other variables had remained the same, would have resulted in a $59,000 decrease or increase, respectively, in the Corporation's net earnings for the twelve-month period ended December 31, 2008, whereas other comprehensive income would have increased or decreased by $820,000, respectively, net of taxes.

CREDIT RISK

Credit risk stems primarily from the potential inability of clients to discharge their obligations. Given the nature of the Corporation's business, its clients are few in number but their credit ratings are in general very high, given that in Québec and France the electricity market is limited to public monopolies. Steam generated in France is used in the papermaking process. Accordingly, Boralex's client is in the private sector, which makes for a higher credit risk. The U.S. market is more deregulated and a large proportion of the Corporation's business is done with regional producers' associations such as the NEPOOL for the New England market and the NYISO for the New York state market. Both organizations have very strong credit ratings. The Corporation can also reach private agreements directly with energy marketers. These clients are usually very large corporations with investment grade credit ratings. The Corporation regularly monitors the financial condition of these clients.

The Corporation's counterparties for derivative financial instruments are also 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 weight within the Corporation's portfolio. Should a significant credit rating downgrade or overly heavy weighting make this analysis unfavourable, the transaction is not completed. Furthermore, if a company does not have a public credit rating, the Corporation assesses the risk and may require financial guarantees.

Lastly, the Corporation is exposed to a credit risk with respect to its direct financing lease contracts. To reduce this risk, the Corporation regularly evaluates supplier performance to see if any measures are required. The Corporation also visits the woodchip production sites from time to time to check the condition of equipment. If a supplier's credit were to become questionable and an acceptable plan of action could not be arranged, the Corporation would have access to the underlying assets, which could be foreclosed by the Corporation or transferred to another supplier with a better credit rating. In such a case, the Corporation would re-measure the assets based on the lower of the book value or fair market value.

During the twelve-month period ended December 31, 2008, the Corporation had four clients accounting for over 10% of its revenues. All these clients are well-established large corporations. Management considers that such a client concentration is characteristic within the power generation industry.

As at December 31, 2008, approximately 3% of accounts receivable were over 90 days past due after being invoiced, while approximately 93% of accounts were current (under 30 days).

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 anticipated cash flows.

Note 11. Financial instruments (Cont'd)

The contractual maturities of the Corporation's financial liabilities as at December 31, 2008 are summarized in the following table:

DECEMBER 31, 2008	CARRYING VALUE	CONTRACTUAL CASH FLOWS	UNDER 1 YEAR	FROM 1 TO 2 YEARS	FROM 2 TO 5 YEARS	OVER 5 YEARS
Non-derivative financial liabilities:						
Accounts payable and accrued liabilities	22,113	22,113	22,113	–	–	–
Other liabilities	5,718	5,718	5,718	–	–	–
Bridge financing facility	11,591	12,159	12,159	–	–	–
Master agreement – wind power projects	145,807	198,329	18,525	18,747	47,896	113,161
Term loan payable – Nibas wind farm	12,482	15,395	1,980	1,981	5,840	5,594
Term loan payable – Stratton power station	3,302	3,602	1,156	2,446	–	–
Capital leases	14,831	17,610	3,648	3,654	8,016	2,292
Other debts	3,725	4,027	1,637	1,361	–	1,029
Derivative financial instruments:						
Financial swaps – interest rates	3,000	3,000	–	60	–	2,940
Total	222,569	281,953	66,936	28,249	61,752	125,016

As at December 31, 2008, no amount had been drawn down from the revolving credit facility with an authorized amount of $55,000,000, but letters of credit totalling $15,543,000 had been issued against the operating credit facility.

Note 12.
Capital stock

The Corporation's capital stock is composed of an unlimited number of Class A common shares.

The transactions relating to capital stock for the years ended December 31 are presented in the following table:

	NOTE	2008		2007	
		NUMBER OF SHARES (IN THOUSANDS)	AMOUNT	NUMBER OF SHARES (IN THOUSANDS)	AMOUNT
Balance – beginning of year		**37,455**	**221,557**	30,050	111,281
Share issuance	a)	**–**	**–**	7,333	110,000
Share redemption	b)	**(97)**	**(577)**	–	–
Options exercised	c)	**383**	**1,714**	72	276
Balance – end of year		**37,741**	**222,694**	37,455	221,557

a) On June 7, 2007, the Corporation closed the public offering of 7,333,334 Class A shares for gross proceeds of $110,000,000, including the over-allotment option exercised by underwriters. The offering generated total net proceeds of $105,300,000.

b) On April 29, 2008, Boralex announced plans to proceed with a normal course issuer bid. Under this twelve-month bid opening on May 1, 2008 and closing on April 30, 2009, Boralex may buy back up to 1,889,220 Class A shares, or 5% of the 37,784,405 Boralex Class A shares issued and outstanding as at April 21, 2008. All buybacks will be carried out via the Toronto Stock Exchange and repurchased shares will be cancelled. As previously indicated, Boralex had repurchased 97,300 shares as of December 31, 2008. Copies of the notice of intention to proceed with a normal course issuer bid may be obtained free of charge from Boralex.

c) The Corporation has a stock option plan for the benefit of directors, senior Management and certain key employees under which 2,500,000 Class A shares have been reserved for issuance. The exercise price equals the market value on the day preceding the date the options were granted. The options granted prior to May 19, 2004 may be exercised over a period of four years at 25% per year beginning at the grant date, with no restrictions. Options granted on or after May 19, 2004, may be exercised at 25% per year beginning the year after they are granted. Furthermore, these options cannot be exercised unless the market value of the stock is higher, for a minimum period, than the book value when the options were granted. All the options have a ten-year term.

(tabular amounts are in thousands of dollars, unless otherwise specified)

Note 12. Capital stock (Cont'd)

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

	2008		2007	
	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding – beginning of year	**1,256,146**	**7.35**	1,176,106	6.37
Granted	**133,266**	**17.29**	151,745	13.30
Exercised	**(383,596)**	**4.47**	(71,705)	3.83
Outstanding – end of year	**1,005,816**	**9.76**	1,256,146	7.35
Options exercisable – end of year	**524,560**	**7.68**	680,131	5.65

The following options were outstanding as at December 31, 2008:

	OPTIONS OUTSTANDING		OPTIONS EXERCISABLE		
GRANTED IN	NUMBER OF OPTIONS	EXERCISE PRICE	NUMBER OF OPTIONS	EXERCISE PRICE	YEAR OF EXPIRY
2001	22,170	6.00	22,170	6.00	2011
2002	18,021	8.63	18,021	8.63	2012
2004	48,042	4.35	48,042	4.35	2014
2005	336,138	6.41	250,789	6.41	2015
2006	296,434	9.60	147,602	9.60	2016
2007	151,745	13.30	37,936	13.30	2017
2008	133,266	17.29	–	–	2018
	1,005,816	9.76	524,560	7.68	

Diluted per share amounts were calculated as follows:

	2008	2007
Weighted average number of shares outstanding	**37,739,840**	34,403,033
Dilutive effect of stock options	**321,119**	617,069
Weighted and diluted average number of shares outstanding	**38,060,959**	35,020,102
Net earnings	**20,396**	21,545
Net earnings per share (basic) ($)	**0.54**	0.63
Net earnings per share (diluted) ($)	**0.54**	0.62

The table below shows stock that could dilute basic earnings per share in the future but were not taken into account in the calculation of the diluted earnings per share due to their anti-dilutive effect:

	2008	2007
Number of anti-dilutive options	**599,466**	–

Note 13.
Contributed surplus

The Corporation applies the fair value method of accounting for options granted to officers and Management. These amounts are recorded under administrative costs and contributed surplus. The following table shows the change in the account:

(in thousands of dollars)	2008	2007
Balance – beginning of year	**1,974**	1,170
Fair value of options recorded during the year	**1,095**	804
Balance – end of year	**3,069**	1,974

The following assumptions were used to estimate the fair value, at the date of grant, of the options issued to officers and employees in the years ended December 31:

	2008	2007
Risk-free interest rate	**4.18%**	4.16%
Expected annual dividend	**0.00%**	0.00%
Expected useful life	**7 years**	7 years
Expected volatility	**39%**	37%
Weighted average fair value per option	**$9.44**	$5.99

Note 14.
Accumulated other comprehensive income (loss)

2008	Translation adjustments	Hedge Electricity swaps	Hedge Interest rate swaps	Hedge Other	Total
Balance – beginning of year	**(54,612)**	**238**	**(683)**	**626**	**(54,431)**
Change in fair value	**41,046**	**22,772**	**(5,720)**	**6,490**	**64,588**
Share of cumulative translation adjustments of the Fund	**4,297**	–	–	–	**4,297**
Reclassification to net earnings	**(1,285)**	**(4,020)**	**(1,465)**	–	**(6,770)**
Reclassification to balance sheet	–	–	–	**(673)**	**(673)**
Taxes	**(1,012)**	**(6,000)**	**2,299**	**(759)**	**(5,472)**
Balance – end of year	**(11,566)**	**12,990**	**(5,569)**	**5,684**	**1,539**

2007	Translation adjustments	Hedge Electricity swaps	Hedge Interest rate swaps	Hedge Other	Total
Balance – beginning of year	(28,066)	1,934	1,651	–	(24,481)
Change in fair value	(24,591)	(913)	2,820	921	(21,763)
Share of cumulative translation adjustments of the Fund	(1,955)				(1,955)
Reclassification to net earnings	–	(1,581)	(378)	–	(1,959)
Termination of hedging relationships	–	–	(5,874)	–	(5,874)
Taxes	–	798	1,098	(295)	1,601
Balance – end of year	(54,612)	238	(683)	626	(54,431)

Note 15. 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;
- Ensure continuous access to capital markets; and
- Diversify the project risks in its portfolio through project-specific financing arrangements without recourse to the parent company 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, debt, equity issuance and, as a last resort, the sale of assets. The Corporation's policy is to earmark its available cash resources for growth projects. To this end, the Corporation does not expect to pay out any dividends on Class A shares in the short term. 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 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 financial ratios under its long-term 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, 2008 and 2007, the Corporation was in compliance with its commitments and had significant leeway with respect to the required minimum ratios. 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 ratio of net debt/total capitalization for capital management purposes. This ratio is a non-GAAP measure. For calculation purposes, net debt consists of long-term debt, including the current portion thereof, bank loans and advances, net of cash and cash equivalents and financing costs. Total capitalization is determined by adding net debt and capitalization. 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.

As at December 31, 2008, the Corporation's performance with respect to its capital management objectives was as follows:

- Net debt/total capitalization ratio of 25.2% (26.2% as at December 31, 2007); and
- A balance of cash and cash equivalents of $69,195,000 ($79,195,000 as at December 31, 2007).

Although it currently has a net debt/total capitalization ratio of 25.2%, the Corporation's long-term goal consists in keeping this ratio below approximately 40%. Once the Québec and Ontario wind power projects are deployed, the Corporation's ratio is expected to be close to that mark. Furthermore, the Corporation would tolerate a ratio of up to 50% were a significant project deemed worth it, but would strive to reduce said ratio within a 24-month period.

(tabular amounts are in thousands of dollars, unless otherwise specified)

Note 16.
Financing costs

	NOTE	2008	2007
Interest on long-term debt, net of the impact of interest rate swaps	a)	**9,818**	11,473
Interest income		**(1,494)**	(1,797)
Amortization of financing costs		**1,009**	848
Amortization of monetization program expenses		**1,919**	1,947
Financing costs related to renewable energy tax credits		**2,109**	2,143
Other interest and banking fees		**501**	442
		13,862	15,056
Interest capitalized to power stations under development		**(55)**	(371)
		13,807	14,685

a) Interest expense on capital leases was $874,000 in 2008 ($904,000 in 2007).

Note 17.
Income taxes

a) The provision for income taxes is as follows:

	2008	2007
Income tax expense		
Current	**1,915**	109
Future	**9,406**	8,348
	11,321	8,457
Earnings before income taxes	**31,863**	29,932
Renewable energy tax credits included in pre-tax earnings *	**(687)**	(229)
	31,176	29,703
Combined basic Canadian and Québec income tax rate (%)	**30.90**	32.02
Income tax expense at statutory rate	**9,633**	9,511
Increase (decrease) in income taxes arising from the following:		
Change in statutory income tax rates	**–**	(2,071)
Non-taxable items	**(46)**	(594)
Difference in foreign operations' statutory income tax rates	**2,487**	2,011
Reassessment of current and future income tax assets and liabilities	**(289)**	(486)
Other	**(464)**	86
	11,321	8,457

* Includes only renewable energy tax credits earned outside the monetization program.

(tabular amounts are in thousands of dollars, unless otherwise specified)

Note 17. Income taxes (Cont'd)

b) Future income taxes include the following items:

	2008	2007
Tax benefit arising from losses carried forward	**56,888**	46,718
Deferred costs	**(1,561)**	(4,193)
Provisions	**736**	231
Investment	**(18,778)**	(17,633)
Property, plant and equipment	**(73,304)**	(49,332)
Other liabilities	**3,083**	4,091
Financial Instruments	**(5,989)**	(1,748)
Other	**(453)**	830
Future income taxes	**(39,378)**	(21,036)
Future income tax assets	**238**	2,394
Future income tax liabilities	**(39,616)**	(23,430)
	(39,378)	(21,036)

c) The Corporation and its subsidiaries, particularly its French subsidiaries, have accumulated losses for income tax purposes amounting to approximately $152,633,000, which may be carried forward to reduce taxable income in future years. The future tax benefit arising from these losses has been recognized as a future tax asset. These unused losses for income tax purposes may be claimed in future years, expiring as follows:

2013	2014	2025	2026	2027	2028	UNLIMITED	TOTAL
2,635	3,760	537	3,883	5,346	1,669	134,803	152,633

d) Renewable energy tax credits are allocated under the U.S. federal tax regime. With respect to Boralex power stations, this program is in force for a five-year period starting January 1, 2005. Tax credits are granted based on the power stations' actual production. While this credit is non-refundable, it can be carried forward for the next 20 taxation years. In 2006, a monetization program was set up so that Boralex could take immediate advantage of the value of the tax credit. For details of the program, see note 10.

Note 18.
Change in non-cash working capital items

	2008	2007
Decrease (increase) in:		
Accounts receivable	**(948)**	(15,940)
Inventories	**998**	(3,536)
Prepaid expenses	**579**	287
Increase (decrease) in:		
Accounts payable and accrued liabilities	**(1,713)**	2,902
Income taxes	**79**	(204)
	(1,005)	(16,491)

(tabular amounts are in thousands of dollars, unless otherwise specified)

Note 19. Segmented information

The Corporation's power stations are grouped under four distinct segments: wind power, hydroelectric power, wood-residue thermal power and natural gas thermal power, and are engaged mainly in the production of energy. The classification of these segments is based on the cost structures relating to each of the four types of power stations. The accounting policies that apply to the individual segments are as described in note 2.

The Corporation analyzes the performance of its operating segments based on their earnings before interest, taxes, depreciation and amortization ("EBITDA"). EBITDA is not a measure of performance under Canadian GAAP. However, Management uses this measure to assess the operating performance of its segments. Earnings for each segment are presented on the same basis as those of the Corporation.

The following table reconciles EBITDA with net earnings:

	2008	2007
Net earnings	**20,396**	21,545
Non-controlling interests	**146**	(70)
Income tax expense	**11,321**	8,457
Financing costs	**13,807**	14,685
Financial instruments	**143**	(5,491)
Foreign exchange loss (gain)	**(1,437)**	531
Amortization	**24,533**	21,627
EBITDA	**68,909**	61,284

Revenue is allocated to the different countries based on the location of clients. In 2008, the Corporation had four clients (four clients in 2007) accounting for more than 10% of its revenue.

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

2008		2007	
% SALES DUE TO ONE CLIENT	SEGMENT	% SALES DUE TO ONE CLIENT	SEGMENT
23	Wood-residue	30	Wood-residue
20	Wood-residue	20	Wind power and natural gas
19	Wind power and natural gas	11	Wood-residue
10	Hydroelectricity and wood-residue	10	Hydroelectricity and wood-residue

(tabular amounts are in thousands of dollars, unless otherwise specified)

Note 19. Segmented information (Cont'd)

INFORMATION BY SEGMENT

	2008	2007	2008	2007
	POWER GENERATION (MWH)			
	(UNAUDITED)	(UNAUDITED)		REVENUE
Wind power stations	**220,500**	208,710	**30,543**	27,730
Hydroelectric power stations	**132,057**	106,762	**11,753**	9,139
Wood-residue thermal power stations	**1,232,907**	1,190,265	**135,897**	111,861
Natural gas thermal power stations	**37,829**	38,421	**19,053**	14,609
Corporate and eliminations	**–**	–	**–**	(1)
	1,623,293	1,544,158	**197,246**	163,338
		EBITDA		ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT
Wind power stations	**24,041**	22,826	**31,485**	16,644
Hydroelectric power stations	**7,919**	5,435	**89**	1,172
Wood-residue thermal power stations	**40,488**	33,052	**8,527**	4,233
Natural gas thermal power stations	**2,338**	2,272	**81**	25
Corporate and eliminations	**(5,877)**	(2,301)	**4,395**	404
	68,909	61,284	**44,577**	22,478

As at December 31	2008	2007	2008	2007
		TOTAL ASSETS		PROPERTY, PLANT AND EQUIPMENT
Wind power stations	**243,374**	196,814	**198,435**	152,015
Hydroelectric power stations	**23,019**	12,427	**11,327**	10,029
Wood-residue thermal power stations	**183,881**	130,728	**102,373**	83,156
Natural gas thermal power stations	**17,216**	16,132	**9,375**	8,938
Corporate and eliminations	**156,008**	158,630	**8,933**	4,574
	623,498	514,731	**330,443**	258,712

INFORMATION BY GEOGRAPHIC SEGMENT

	2008	2007	2008	2007
	POWER GENERATION (MWH)			
	(UNAUDITED)	(UNAUDITED)		REVENUE
United States	**1,348,756**	1,283,738	**146,533**	120,098
France	**258,329**	247,131	**49,596**	42,339
Canada	**16,208**	13,289	**1,117**	901
	1,623,293	1,544,158	**197,246**	163,338
		EBITDA		ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT
United States	**46,096**	37,674	**8,410**	5,133
France	**23,901**	25,102	**5,808**	16,718
Canada	**(1,088)**	(1,492)	**30,359**	627
	68,909	61,284	**44,577**	22,478

As at December 31	2008	2007	2008	2007
		TOTAL ASSETS		PROPERTY, PLANT AND EQUIPMENT
United States	**221,654**	181,363	**110,830**	90,220
France	**229,548**	215,954	**182,271**	161,216
Canada	**172,296**	117,414	**37,342**	7,276
	623,498	514,731	**330,443**	258,712

(tabular amounts are in thousands of dollars, unless otherwise specified)

Note 20.
Related-party transactions

In addition to the transactions with the Fund (note 5), the Corporation entered into the following transactions with related parties:

	2008	2007
Company (and its subsidiaries) having significant influence on the Corporation		
Revenue from energy sales	**11,757**	8,468
Operating costs	**1,767**	1,292
Additions to property, plant and equipment	**199**	53
Entity controlled by a director and officer of the Corporation		
Other revenues	**489**	391
Interest income	**61**	48

These transactions occurred in the normal course of business and were measured at the exchange amount, which is the amount of the consideration established and agreed to by the related parties.

The balance sheets as at December 31, 2008 and 2007 included the following balances with related parties:

	2008	2007
Company (and its subsidiaries) having significant influence on the Corporation		
Accounts receivable	**2,502**	1,944
Accounts payable and accrued liabilities	**845**	1,420
Entity controlled by a director and officer of the Corporation		
Accounts receivable	**697**	864

Note 21.
Commitments and contingencies

In addition to the commitments related to the Fund (note 5 b), the Corporation is committed to the following:

a) Under a long-term contract expiring in 2027, the Corporation is committed to selling 100% of its electricity production from a hydroelectric power station located in the United States. Long-term contracts for the Fort Fairfield and Ashland wood-residue power stations expired on February 28, 2009. A new two-year power sales contract was entered into for the Fort Fairfield power station as of March 1, 2009. With respect to the Ashland power station contract, the Corporation decided to sell this facility's output on the open market and did not renew the long-term contract. Lastly, in Canada and France the Corporation is committed to selling 100% of its electricity and steam production under long-term contracts expiring as follows:

SOURCE	PRODUCTION TYPE	EXPIRY
Canada	Electricity	2010 and 2021
France	Electricity	Between 2013 and 2023
France	Steam	2022

Note 21. Commitments and contingencies (Cont'd)

b) To operate the Middle Falls power station in the United States, the Corporation leases the land where the facilities are situated from Niagara Mohawk Power Corporation under a lease that runs until 2027. Until 2013, the payment is a fixed amount indexed at 3% per year. In 2008, the rent amounted to $360,000 (US$338,000) ($352,000 and US$328,000 in 2007) and will be indexed at 3% per year until 2013. From 2014 onwards, the rent will vary at the rate of 30% of the power station's gross revenue.

c) The Corporation is committed under forward sales contracts to sell the RECs earned by its U.S. power stations that have qualified as a renewable energy producer in Connecticut. As at December 31, 2008, the balance of these commitments totalled about $42,479,000 (US$34,688,000) ($51,400,000 and US$52,000,000 In 2007) for periods between January 2009 and December 2012.

d) Under the supply agreements for its wood-residue power stations, the Corporation has undertaken to receive deliveries of certain minimum quantities. Based on production forecasts, the Corporation will purchase quantities greater than the contract minimums.

e) Over the years, the Corporation has sold portions of its enterprises, including electrical power stations to the Fund. Under the agreements with respect to these sales, the Corporation could be required to indemnify the purchaser for liabilities arising from events prior to the sale, whether in connection with labour, tax, environmental, judicial or other matters, or arising from representations made by the Corporation. Indemnification guarantees of this type extend mainly over periods of less than ten years. The maximum amount associated with these guarantees may not exceed the proceeds from the sales in the amount of $382,300,000. At the date of this report, the Corporation deems that it has no liabilities under these guarantees.

f) With respect to the wind power projects in France, the Corporation signed a turnkey maintenance contract with GE Wind Energy and Enercon. The initial contract period is five years, with anticipated annual expenditures of about €1,000,000.

g) With respect to the wind power projects in Ontario (Canada) and in France, the Corporation has signed equipment purchase agreements. The total cost of the commitments is $114,858,000, or €65,290,000 and $3,565,000. Disbursements will take place mostly in 2009. A portion of the amount payable in euros was partially covered by foreign exchange forward contracts, as discussed in note 11.

h) The Fund, a major investment of Boralex, initiated an arbitration process with a subsidiary of the AbitibiBowater group regarding a dispute on the execution of the service contract for the operation and maintenance of the Dolbeau power station. At this point, given all the facts surrounding this case, the Fund considers it impossible to determine if there is a potential loss and if so, for what amount. Consequently, no provision was recorded by the Fund or Boralex.

i) On June 11, 2008, the Corporation signed a purchase agreement for the assets of a hydroelectric power station in British Columbia. Under this agreement, Boralex will pay approximately $19,000,000 for the power station, which is already operating, as well as two development projects totalling 10 MW in the same region. Boralex will also invest about $3,000,000 to upgrade the equipment and increase potential output. The closing of this agreement is conditional on the obtaining of the usual regulatory approvals.

j) On June 25, 2008, the Corporation signed two electricity supply contracts with Hydro-Québec for a total output of 272 MW for the Seigneurie de Beaupré wind farm project. The Corporation is cooperating with Gaz Métro on one project in which each party owns a 50% interest. These contracts were approved by the Régie de l'énergie du Québec on October 17, 2008.

k) The building permits for the 2008 extension to the Avignonet-Lauragais site are currently being challenged by a neighbouring community. Since the permits are believed to have been issued in due form, the Préfet who issued them and Boralex are defending their validity.

Board of Directors

Bernard Lemaire (1)
Executive Chairman
of the Board
Boralex Inc.
Executive Vice-Chairman
of the Board
Cascades Inc.

Patrick Lemaire (1)
President and
Chief Executive Officer
Boralex Inc.

Germain Benoit (2) (4)
President
Capital Benoit Inc.

Allan Hogg (1)
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Finance and Treasurer
Cascades Inc.

Edward H. Kernaghan (4)
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Kernaghan Securities Ltd
and Kernwood Ltd

Richard Lemaire (3)
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Séchoirs Kingsey Falls Inc.

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

Michelle Samson-Doel (2) (5)
President
Samson-Doel Group Ltd.
Corporate Director

Pierre Seccareccia (2) (4) (5)
Corporate Director

Gilles Shooner (3)
Environmental Consultant

(1) Member of the Administrative Committee
(2) Member of the Audit Committee
(3) Member of the Environmental, Health and Safety Committee
(4) Member of the Corporate Governance Committee
(5) Member of the Nominating and Compensation Committee

Management

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Executive Chairman
of the Board

Patrick Lemaire
President and
Chief Executive Officer

Sylvain Aird
Vice-President, Legal Affairs
and Corporate Secretary

Claude Audet
Vice-President and
Chief Operating Officer,
Biomass

Jean-François Thibodeau
Vice-President and
Chief Financial Officer

Denis Aubut
General Manager,
Operations

Patrick Decostre
General Manager,
Boralex S.A.S.

Mario Dugas
General Manager,
Biomass Canada
and Fuel Procurement

Hugues Girardin
General Manager,
Development

Guy D'Aoust
Director, Finance
and Treasurer

Nathan Hebel
Director,
Energy Trading

Judy Kerwin
Director,
Human Resources

Patricia Lemaire
Director, Public Affairs
and Communications

Gabriel Ouellet
General Manager,
Senneterre and
Technical Director,
Biomass

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Additional copies of the following documents and other information can also be obtained at the above address or on Boralex's and SEDAR's websites:
- Annual Report - Quarterly Reports
- Annual Information Form - Information Circular

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service@computershare.com

Shareholder Information
The annual Meeting of Shareholders will be held at 11:00 a.m., Monday, May 11, 2009 at the:

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Montréal, Québec H3A 3R8 Canada
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