Boralex

Interim Report 1
As at March 31

09

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 22 power stations with a total installed capacity of 365 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. www.boralex.com

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 United States. These sites are managed by Boralex.

Interim Management's Discussion and Analysis 1

as at March 31, 2009

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 22 power stations with a total installed capacity of 365 megawatts ("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 turbines, 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 (40 MW) is expected to come on-stream in 2009.
- Boralex has more than 15 years' experience generating hydroelectric power. It owns eight hydroelectric power stations, five in the U.S., two in Québec and one in British Columbia since April 6, 2009, with a total installed capacity of 40 MW of which 27 MW are currently being generated. The Corporation also acquired the development rights to two other projects in Northern British Columbia, 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 renewable 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 interim Management's Discussion and Analysis ("MD&A") reviews the operating results and cash flows for the three-month period ended March 31, 2009, compared with the corresponding quarter ended March 31, 2008, as well as the Corporation's financial position at these dates. This report should be read in conjunction with the unaudited interim consolidated financial statements and accompanying notes appearing in this interim report, as well as with the audited consolidated financial statements and accompanying notes appearing in the Corporation's most recent annual report for the 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).

The interim consolidated financial statements have not been audited or reviewed by the Corporation's external auditors.

In this interim 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 interim MD&A reflects all material events up to May 8, 2009, the date on which the Board of Directors approved the interim consolidated financial statements and interim MD&A.

Unless otherwise indicated, all financial information presented below, 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 May 8, 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 presented under *Outlook by Segment for Fiscal 2009 and General Outlook* in this interim MD&A as well as under *Risk Factors and Uncertainties* in the MD&A for the year ended December 31, 2008. 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 interim MD&A for a reconciliation between EBITDA and cash flows from operations with certain line items in Boralex's consolidated statements of earnings and consolidated statements of cash flows.

DISCLOSURE CONTROLS AND PROCEDURES

In accordance with Multilateral Instrument 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings*, disclosure controls and procedures have been designed to provide reasonable assurance that the information that must be presented in Boralex's interim and annual reports is accumulated and communicated to Management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate to allow timely decisions regarding disclosure.

The Chief Executive Officer and the Chief Financial Officer have evaluated the effectiveness of Boralex's disclosure controls and procedures as of the date of the 2008 annual report and have concluded that the disclosure controls and procedures are adequate and effective. During the quarter ended March 31, 2009, no changes were made to disclosure controls and procedures that have materially affected, or are reasonably likely to materially affect, our internal control over disclosure.

INTERNAL CONTROL OVER FINANCIAL REPORTING

An internal control process over financial information has also been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian GAAP.

The Chief Executive Officer and the Chief Financial Officer have evaluated the effectiveness of Boralex's internal control over financial reporting as of the date of the 2008 annual report and have concluded that it is effective. During the quarter ended March 31, 2009, no changes were made to internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

SEASONALITY

(in thousands of dollars, except amounts per share and number of shares)	JUNE 30, 2008	SEPTEMBER 30, 2008	DECEMBER 31, 2008	**MARCH 31, 2009**
REVENUE FROM ENERGY SALES				
Wind power stations	6,677	5,859	7,942	**9,083**
Hydroelectric power stations	3,200	1,920	2,844	**2,760**
Wood-residue thermal power stations	27,113	37,866	37,040	**38,181**
Natural gas thermal power station	2,675	3,165	6,490	**7,174**
Corporate and eliminations	(1)	1	–	**–**
	39,664	48,811	54,316	**57,198**
EBITDA				
Wind power stations(1)	5,043	4,361	6,059	**7,215**
Hydroelectric power stations	2,391	847	1,647	**1,709**
Wood-residue thermal power stations	6,795	13,558	9,064	**11,803**
Natural gas thermal power station	(204)	(157)	1,378	**1,511**
Corporate and eliminations	(1,449)	(1,844)	(2,544)	**(1,286)**
	12,576	16,765	15,604	**20,952**
NET EARNINGS(1)	1,101	5,679	4,398	**7,212**
per share (basic)	$0.03	$0.15	$0.12	**$0.19**
per share (diluted)	$0.03	$0.15	$0.12	**$0.19**
Weighted average number of common shares outstanding (basic)	37,818,503	38,247,112	37,740,921	**37,740,921**

(in thousands of dollars, except amounts per share and number of shares)	JUNE 30, 2007	SEPTEMBER 30, 2007	DECEMBER 31, 2007	MARCH 31, 2008
REVENUE FROM ENERGY SALES				
Wind power stations	4,930	5,977	8,554	10,065
Hydroelectric power stations	2,859	677	2,524	3,790
Wood-residue thermal power stations	22,839	25,689	29,973	33,877
Natural gas thermal power station	1,725	1,933	4,857	6,723
Corporate and eliminations	–	–	(1)	–
	32,353	34,276	45,907	54,455
EBITDA				
Wind power stations	3,863	4,883	7,021	8,504
Hydroelectric power stations	2,191	(489)	1,651	3,034
Wood-residue thermal power station	2,741	7,452	10,674	11,071
Natural gas thermal power station	(321)	(225)	717	1,321
Corporate and eliminations	(1,425)	(1,697)	(1,388)	(39)
	7,049	9,924	18,675	23,891
NET EARNINGS	4,838	1,017	5,913	9,232
per share (basic)	$0.15	$0.03	$0.16	$0.25
per share (diluted)	$0.15	$0.03	$0.15	$0.24
Weighted average number of common shares outstanding (basic)	32,526,623	37,454,625	37,454,625	37,566,967

(1) Certain amounts have been restated to reflect the retroactive adoption of Section 3064 of the CICA *Handbook*.

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 sites 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 the volume of power generated, 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 operating 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 is thus subject to the same effects on its volume 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.

To sum up, although Boralex's performance is affected by seasonal cycles, their impact is mitigated to some extent by the increasing diversification of its power generation sources, the increasingly higher proportion of revenues from fixed-price and price-indexed contracts 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 dioxide ("CO_2") quota trading and green certificate markets in France.

FINANCIAL HIGHLIGHTS

(in thousands of dollars, unless otherwise specified)	THREE-MONTH PERIODS ENDED MARCH 31, 2009	2008
REVENUE FROM ENERGY SALES		
Wind power stations	**9,083**	10,065
Hydroelectric power stations	**2,760**	3,790
Wood-residue thermal power stations	**38,181**	33,877
Natural gas thermal power station	**7,174**	6,723
	57,198	54,455
EBITDA		
Wind power stations	**7,215**	8,504
Hydroelectric power stations	**1,709**	3,034
Wood-residue thermal power stations	**11,803**	11,071
Natural gas thermal power station	**1,511**	1,321
Corporate and eliminations	**(1,286)**	(39)
	20,952	23,891
NET EARNINGS	**7,212**	9,232
per share (basic)	**$0.19**	$0.25
per share (diluted)	**$0.19**	$0.24
Weighted average number of common shares outstanding	**37,740,921**	37,566,967

	MARCH 31, 2009	DECEMBER 31, 2008
FINANCIAL POSITION		
Total assets	**630,425**	622,955
Total debt(1)	**180,491**	187,445
Shareholders' equity	**373,717**	362,720

(1) Including long-term debt and its current portion, as well as bank loans and advances.

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 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:

(in thousands of dollars)	THREE-MONTH PERIODS ENDED MARCH 31, 2009	2008
Net earnings	**7,212**	9,232
Non-controlling interests	**59**	94
Income taxes	**3,956**	5,444
Financing costs	**3,418**	3,466
Financial instruments	**(115)**	319
Foreign exchange gain	**(43)**	(474)
Amortization	**6,465**	5,810
Consolidated EBITDA	**20,952**	23,891

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 not to integrate changes in working capital in 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:

(in thousands of dollars)	THREE-MONTH PERIODS ENDED MARCH 31, **2009**	2008
Cash flows related to operating activities	**14,281**	15,534
Cash flows used by change in non-cash working capital items	**1,040**	5,213
CASH FLOWS FROM OPERATING ACTIVITIES	**15,321**	20,747

ANALYSIS OF OPERATING RESULTS FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2009

The following table shows the main variances explaining the change in net earnings for the three-month periods ended March 31, 2009 and 2008:

	NET EARNINGS (IN MILLIONS OF DOLLARS)	PER SHARE (IN $) (BASIC)
THREE-MONTH PERIOD ENDED MARCH 31, 2008	**9.2**	**0.25**
Change in EBITDA	(2.9)	(0.08)
Amortization	(0.7)	(0.02)
Foreign exchange gain	(0.4)	(0.01)
Financial instruments	0.4	0.01
Financing costs	0.1	–
Income taxes	1.5	0.04
THREE-MONTH PERIOD ENDED MARCH 31, 2009	**7.2**	**0.19**

During the first quarter of fiscal 2009, Boralex generated net earnings of $7.2 million or $0.19 per share (basic and diluted), compared with $9.2 million or $0.25 per share ($0.24 diluted) for the same quarter in 2008. As the table above shows and as discussed in greater detail in the sections below, the $2.0 million decrease in net quarterly earnings is mainly attributable to reduced EBITDA, which in turn resulted from lower output that led to reduced electricity and REC sales.

Analysis of major changes in consolidated revenue from energy sales and EBITDA:

(in millions of dollars)	REVENUE FROM ENERGY SALES	EBITDA
THREE-MONTH PERIOD ENDED MARCH 31, 2008	**54.5**	**23.9**
Power stations commissioned – Avignonet-Lauragais wind farm expansion	0.3	0.2
Pricing	0.6	0.6
Volume	(4.9)	(3.1)
RECs and green certificates	(3.7)	(3.1)
Translation of self-sustaining subsidiaries	10.3	4.0
Renewable energy tax credits	–	(0.4)
CO_2 quotas	–	0.6
Raw material costs	–	(0.9)
Maintenance	–	(0.8)
Development expenses – prospecting	–	(0.7)
Boralex Power Income Fund	–	(1.1)
Other	0.1	1.8
THREE-MONTH PERIOD ENDED MARCH 31, 2009	**57.2**	**21.0**

REVENUE FROM ENERGY SALES

Revenue from energy sales totalled $57.2 million compared with $54.5 million in the same quarter in 2008. This $2.7 million or 5.0% increase is due to the $10.3 million favourable effect resulting from the weakening of the Canadian dollar against the U.S. dollar and the euro, and the $0.6 million favourable effect attributable to the rise in the average price of electricity sold by Boralex.

However, excluding the currency fluctuation effect between the two comparative periods, and assuming constant exchange rates, revenue from energy sales declined by about 14% due to two main factors:

- A $4.9 million shortfall caused by a decrease in total electricity output, mainly as a result of less favourable weather conditions in the wind and hydroelectric power segments than in the previous year, combined with a voluntary reduction in off-peak demand output in the wood-residue segment. The Corporation's output totalled 415,728 megawatthours ("MWh") in the first quarter of 2009 compared with an output of 469,603 MWh in the same period in 2008; and
- A $3.7 million decrease in REC sales, mainly attributable to the reduced output in some wood-residue power stations and the lower market price of RECs.

OTHER REVENUE

Boralex generated $5.2 million in revenue other than revenue from energy sales during the first quarter of 2009 compared with $4.8 million for the same period in 2008. Boralex's share in the Fund's earnings fell $0.9 million, primarily as a result of less favourable water conditions in 2009 than the same period in 2008 and a drop in steam prices in the wake of lower oil prices. On the other hand, other revenue increased by $1.3 million, due to a $0.7 million gain on the disposal of an investment in a hydroelectric power station in France and the sale of $0.6 million in excess CO_2 quotas by the Blendecques natural gas thermal power station in France.

EBITDA

Consolidated EBITDA for the first quarter of fiscal 2009 stood at $21.0 million compared with $23.9 million for the corresponding period last year. This $2.9 million or 12.1% decrease is mainly due to lower revenue from energy sales and more specifically to the following factors:

- A $3.1 million unfavourable impact resulting from lower REC sales;
- A $2.9 million unfavourable effect due to lower electricity output (net of the Avignonet-Lauragais wind farm expansion);
- A $1.1 million unfavourable impact resulting from a decline in the Corporation's share of the Fund's earnings, combined with higher management and operating expenses;
- A $0.9 million increase in raw material costs, mainly for wood residue;
- A $0.8 million increase in maintenance costs;
- A $0.7 million increase in costs related to prospecting and development projects, mainly for wind power in Italy; and
- A $0.4 million decrease in U.S. renewable energy tax credits following lower output in the wood-residue segment.

On the upside, quarterly EBITDA benefited from the following favourable factors:

- A $4.0 million favourable effect due to the strengthening of the euro and the U.S. dollar against the Canadian dollar;
- A $0.6 million favourable impact related to higher average electricity prices mainly resulting from the use of financial swaps in the wood-residue segment; and
- Various other favourable elements totalling $2.4 million, including the sale of excess CO_2 quotas ($0.6 million), a decrease in the cost of certain chemicals used in the wood-residue segment ($0.4 million), a gain on the disposal of an investment in a hydroelectric power station in France ($0.7 million) and a fall in prices of oil products and variable wage costs.

(A more detailed analysis of changes in revenues and EBITDA of the various segments may be found under *Analysis of Segmented Performance for the Three-Month Period Ended March 31, 2009*.)

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

The Corporation reported a $6.5 million amortization expense for the first quarter of 2009 compared with $5.8 million for the corresponding period in 2008. This $0.7 million or 12.1% increase results partly from the strengthening of the U.S. dollar and the euro against the Canadian dollar (which led to the increase in the amortization expense of the Corporation's assets in France and the U.S.) and partly by the additional amortization resulting from investments made in the past year, including the commissioning of the Avignonet-Lauragais wind farm expansion in 2008 and equipment upgrading in the wood-residue segment.

Financing costs decreased slightly, from $3.5 million in 2008 to $3.4 million in 2009, due to the gradual reduction in the long-term debt. Boralex recorded an insignificant foreign exchange gain in the first quarter of 2009 compared with a $0.5 million gain in the same period last year. Financial instruments generated a gain of $0.1 million compared with a loss of $0.3 million in the first quarter of 2008. Gains and losses on financial instruments relate primarily to the ineffective portion of the financial electricity swaps over the period. It should be noted that all of these swaps used by the Corporation 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.

As a result of the above, Boralex recorded earnings before income taxes of $11.2 million in the first quarter of 2009 compared with $14.8 million for the same period in 2008.

INCOME TAX EXPENSE

Boralex reported a $4.0 million income tax expense for the first quarter of 2009 compared with $5.4 million for the corresponding quarter of 2008. This $1.4 million favourable variance is primarily attributable to a decrease in earnings before taxes between the two periods. The effective tax rate stood at 35.2% in 2009 compared with 36.9% last year.

Taking all jurisdictions into account, Boralex's combined statutory income tax rate should normally 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 from one period to another.

NET EARNINGS

Boralex ended the first quarter of fiscal 2009 with $7.2 million in net earnings or $0.19 per share (basic and diluted) compared with $9.2 million in net earnings or $0.25 per share ($0.24 diluted) for the corresponding period of 2008. This decrease is mainly attributable to reduced EBITDA, which in turn resulted from lower electricity and REC sales than in 2008.

The weighted average number of shares outstanding stood at 37.7 million in 2009 compared with 37.6 million in 2008 as the number of stock options exercised in fiscal 2008 exceeded the share repurchases made by the Corporation.

To sum up, Boralex sustained its sound financial performance in the first quarter of fiscal 2009, although its operating results declined compared with the same period in 2008, primarily due to external factors including:

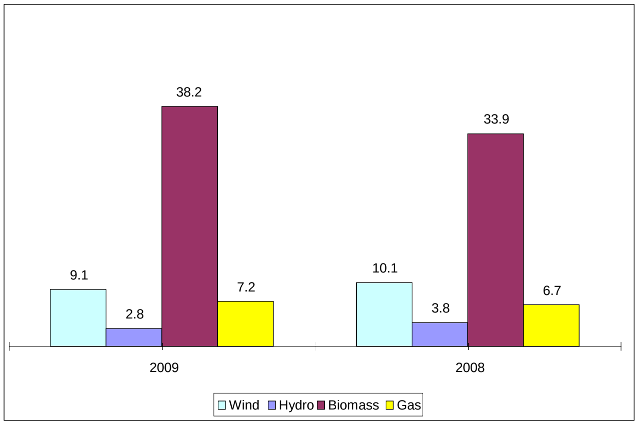
- Less favourable weather conditions for the wind power segment in France and the hydroelectric segment in North America;
- Lower selling prices for electricity in the hydroelectric segment and RECs in the open market in Northeastern U.S., resulting from the economic slowdown; and
- Unfavourable economic and weather conditions which also adversely affected Fund performance.

On the other hand, the financial impact of these factors was mitigated by the favourable effect of currency fluctuations, and by effective forward power sales ("hedging") and REC strategies implemented by Boralex in the wood-residue segment.

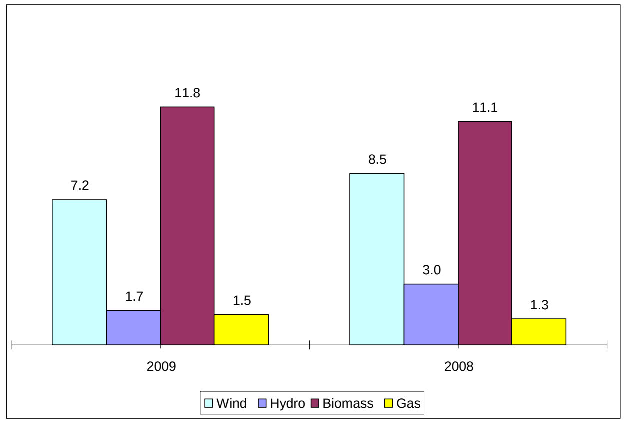
ANALYSIS OF SEGMENTED PERFORMANCE FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2009

SEGMENT BREAKDOWN

REVENUE FROM ENERGY SALES (IN $ MILLIONS)



EBITDA (IN $ MILLIONS)[1]



(1) Excluding corporate and eliminations

In the first quarter of fiscal 2009, adverse weather conditions led to a 9.9% decrease in wind power segment revenues and a 15.3% drop in its EBITDA. As a result, the segment's share of the Corporation's quarterly consolidated revenues from energy sales represented 15.9% in 2009 compared with 18.5% in 2008 while its share of consolidated EBITDA amounted to 32.4% compared with 35.6% in 2008.

Revenues and EBITDA of the hydroelectric segment also decreased, by 26.3% and 43.3% respectively, due to less favourable water flow conditions in Northeastern North America than in 2008, combined with a drop in electricity selling prices in the New York State open market. As a result, the segment's contribution to the Corporation's consolidated revenues fell to 4.9% in 2009 from 7.0% for the first quarter in 2008 while its share of consolidated EBITDA declined to 7.7% from 12.6%.

Conversely, the wood-residue segment's revenues and EBITDA rose 12.7% and 6.3% respectively, and given the weaker results of the wind power and hydroelectric segments, its contribution to quarterly consolidated revenues increased to 66.8% in 2009 from 62.2% in the first quarter of 2008 while its share of consolidated EBITDA rose to 53.2% from 46.4%.

Last, with revenues and EBITDA rising by 7.5% and 15.4% respectively, the natural gas-fired power station stepped up its contribution to quarterly consolidated revenues to 12.6% in 2009 from 12.3% in 2008 and increased its share of consolidated EBITDA to 6.8% from 5.4%.

WIND POWER STATIONS

Analysis of major variances in revenue from energy sales and EBITDA:

(in millions of dollars)	REVENUE FROM ENERGY SALES	EBITDA
THREE-MONTH PERIOD ENDED MARCH 31, 2008	**10.1**	**8.5**
Commissioning – Avignonet-Lauragais wind farm expansion	0.3	0.2
Pricing	0.2	0.2
Volume	(2.5)	(2.5)
Translation of self-sustaining subsidiaries	0.8	0.7
Other	0.2	0.1
THREE-MONTH PERIOD ENDED MARCH 31, 2009	**9.1**	**7.2**

During the first quarter of 2009, the wind power segment produced a total electricity output of 60,761 MWh, down 20% from 75,822 MWh for the previous year. Excluding the expansion of the Avignonet-Lauragais facility, which was commissioned on April 1, 2008, output of the other wind farms fell 23% due to the combination of subnormal wind conditions during the first quarter of 2009 and icy periods that required frequent equipment shutdowns, particularly for the Ally-Mercoeur wind facility.

Management wishes to point out in this respect that a long-term perspective is required when evaluating wind power performance in a given region. That's why Boralex uses historical data from benchmark sites and data collected on-site when developing its wind power segment budgets and investment projects. Such data must cover a sufficiently long period and must be correlated with the data observed directly on the site to be developed over a period longer than 12 months. Lower output (including the expansion of the Avignonet-Lauragais wind farm) led to a $2.2 million decline in wind power segment revenues. This decline was offset in part by the $0.8 million favourable impact resulting from the strengthening of the euro against the Canadian dollar, the additional $0.2 million effect of the rise in electricity selling prices, and various other elements including the receipt of a compensation amount of $0.1 million and the sale of green certificates. As a result, segment revenues from energy sales amounted to $9.1 million, down $1.0 million or 9.9% from the first quarter in 2008.

The same factors that negatively or positively impacted wind power segment revenues also affected to varying degrees its EBITDA, which fell $1.3 million or 15.3% to $7.2 million from $8.5 million the previous year. The segment's EBITDA/revenue margin stood at 79.1% compared with 84.2% in 2008 and an average EBITDA margin of 36.7% (43.9% in 2008) for all Boralex's segments.

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 below in this interim MD&A.

HYDROELECTRIC POWER STATIONS

Analysis of major variances in revenue from energy sales and EBITDA:

(in millions of dollars)	REVENUE FROM ENERGY SALES	EBITDA
THREE-MONTH PERIOD ENDED MARCH 31, 2008	**3.8**	**3.0**
Pricing	(1.0)	(1.0)
Volume	(0.8)	(0.8)
Translation of self-sustaining subsidiaries	0.8	0.7
Maintenance	–	(0.2)
THREE-MONTH PERIOD ENDED MARCH 31, 2009	**2.8**	**1.7**

HISTORICAL AVERAGE OF HYDROELECTRIC GENERATION (MWh)*	
Quarters ended March 31	33,750
Annual average	115,358

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

Hydroelectric power output totalled 35,666 MWh in the first quarter of 2009 compared with 43,380 MWh in 2008. Although 5.7% higher than the historical average for this time of the year, output for the first quarter of 2009 declined 17.8% from output for the same period in 2008, which exceeded the historical average by almost 29% due to exceptional water flow conditions. The decline in output resulted in a $0.8 million fall in segment revenues.

Hydroelectric power segment revenues were also reduced by $1.0 million due to a more than 30% fall in its average selling price (in US$), following weak prices in the New York State open market caused by the current economic slowdown. Note that unlike the Corporation's wood-residue segment, the hydroelectric power segment uses few forward power sales contracts as its output levels depend largely on factors beyond its control.

The impact of declines in output and selling prices on segment revenues was partly offset by the $0.8 million favourable effect resulting from the strengthening of the U.S dollar against the Canadian currency. As a result, the segment's quarterly revenues amounted to $2.8 million, down $1.0 million or 26.3% from the previous year.

These same factors, combined with a $0.2 million increase in maintenance costs attributable to the concrete repair work at the Middle Falls power station, led to an EBITDA of $1.7 million for the segment, down $1.3 million or 43.3%.

At the beginning of the second quarter, on April 6, 2009, Boralex announced that it had concluded the acquisition of the Ocean Falls power station in British Columbia which has an installed capacity of 14.5 MW of which 2 MW is used for generation. Boralex also acquired the development rights for two other hydroelectric projects in the same region, representing an additional 10 MW.

(For further details, please refer to *Outlook by Segment for Fiscal 2009* in this interim MD&A).

WOOD-RESIDUE THERMAL POWER STATIONS

Analysis of major variances in revenue from energy sales and EBITDA:

(in millions of dollars)	REVENUE FROM ENERGY SALES	EBITDA
THREE-MONTH PERIOD ENDED MARCH 31, 2008	**33.9**	11.1
Pricing	1.6	1.6
Volume	(1.6)	0.2
RECs	(3.8)	(3.1)
Translation of self-sustaining subsidiaries	8.1	2.7
Renewable energy tax credits	–	(0.4)
Raw material costs	–	(0.6)
Maintenance	–	(0.3)
Other	–	0.6
THREE-MONTH PERIOD ENDED MARCH 31, 2009	**38.2**	11.8

In the first quarter, wood-residue power station revenues totalled $38.2 million, up 12.7% from $33.9 million for the same quarter in 2008, bolstered by two factors:

- An $8.1 million favourable effect due to the strengthening of the U.S. dollar against the Canadian dollar; and
- A $1.6 million additional contribution resulting from a 10.5% increase (in US$) in the average electricity selling price in the segment, thanks to the forward sales strategy (electricity-related financial swaps) implemented in 2008. In addition, Boralex had signed a two-year contract for the forward sale of electricity from its Fort Fairfield power station with a fixed price higher than current market levels.

However, if not for currency fluctuations, segment revenues would have declined 11% as a result of the two following factors:

- An almost 10% fall in electricty output to 296,688 MWh from 327,908 MWh in 2008, which led to a $1.6 million decrease in revenues. This fall in output is partly due to a voluntary reduction of output at the Stratton and Livermore Falls power stations following weak electricity prices during off-peak demand periods as well as an approximately three-week shutdown at the Fort Fairfield power station after the semi-annual maintenance shutdown initially scheduled for April was brought forward. In early March 2009, a two-year contract was concluded by the power station, which went back online during the last week of March. Lower output volumes at the Stratton, Livermore Falls and Fort Fairfield power stations were partly offset by an increase in output at the Ashland power station and the output during the first two months of the 2009 first quarter of the Stacyville power station, which was shut down during the entire first quarter of 2008. The station was shut down again at the end of February 2009 due to low profitability under current market conditions, and Management expects it to remain so for the remainder of fiscal 2009; and
- A $3.8 million decrease in REC sales to US$7.5 million for the first quarter of 2009 from US$10.6 million in 2008. The decrease is attributable to the voluntary reduction in off-peak demand output at the Stratton and Livermore Falls power stations and lower REC selling prices in the market since fall 2008. It should also be noted that REC sales in the first quarter of 2008 included a retroactive amount of about $0.6 million for RECs produced in 2007. As at March 31, 2009, Boralex had firm commitments totalling US$29 million ($37 million) for REC deliveries to be made by December 31, 2012, including more than 90% of the production scheduled for the remainder of 2009. Management continues to believe that despite the current weakening of prices, the potential for the REC market in the medium and long term remains high.

Quarterly EBITDA for the wood-residue segment totalled $11.8 million, up 6.3% from $11.1 million for the corresponding period in 2008. This increase is explained by the following main factors:

- A $2.7 million favourable effect attributable to foreign currency fluctuations;
- A $1.6 million direct favourable impact related to higher average electricity prices resulting from the Corporation's electricity price hedging program;
- A $0.6 million positive impact resulting from the reduction in various costs, including those of certain chemicals and petroleum products, and an expected decrease in variable wage costs due to a lower profit margin in U.S. dollars; and
- A $0.2 million favourable effect related to the lower output, which, despite its impact on revenues, made it possible to

achieve a higher margin by eliminating less profitable production time and generating some operating cost savings.

Conversely, the wood-residue segment's EBITDA was affected by the following unfavourable factors:

- A $3.1 million revenue shortfall resulting from lower REC sales;
- A $0.6 million increase in wood-residue prices in the regional market. However, it should be noted that the cost of raw materials remained substantially in line with the fourth quarter of 2008;
- A $0.4 million reduction in renewable energy tax credits due to the lower output; and
- A $0.3 million increase in maintenance costs attributable in particular to refurbishment work at the Livemore Falls power station and shutdown work at Stacyville.

(For further details regarding this segment, please refer to *Outlook by Segment for Fiscal 2009* in this interim MD&A).

NATURAL GAS THERMAL POWER STATION

Analysis of major variances in revenue from energy sales and EBITDA:

(in millions of dollars)	REVENUE FROM ENERGY SALES	EBITDA
THREE-MONTH PERIOD ENDED MARCH 31, 2008	**6.7**	**1.3**
Pricing	(0.2)	(0.2)
Translation of self-sustaining subsidiaries	0.5	0.1
CO_2 quotas	–	0.6
Natural gas cost	–	(0.3)
Other	0.2	–
THREE-MONTH PERIOD ENDED MARCH 31, 2009	**7.2**	**1.5**

For the three-month period ended March 31, 2009, revenue from energy sales at the natural gas power station in France totalled $7.2 million, up $0.5 million or 7.5% from the same period in 2008. This increase stemmed primarily from the strengthening of the euro against the Canadian dollar. However, with respect to selling prices, the power station experienced a revenue shortfall of $0.2 million resulting from a price discount of about $0.6 million granted to its industrial client for steam delivered during the first quarter as mentioned in the disclosure at fiscal 2008 year-end. Under the agreement, Boralex will recover this amount over the coming quarters through various offsetting mechanisms. This revenue shortfall was offset in the first quarter by various favourable elements, including higher electricity and steam output and related capacity premiums.

The power station reported an EBITDA of $1.5 million compared with $1.3 million for the previous year, thanks mainly to excess CO_2 quota sales in the amount of $0.6 million and to a lesser extent, currency fluctuations. These factors offset the unfavourable impact of $0.3 million and $0.2 million respectively, attributable to higher natural gas costs and a drop in the average steam price.

In view of high natural gas prices in France, the annual shutdown of the cogeneration equipment at the Blendecques power station will be in effect between April and October 2009.

ANALYSIS OF MAJOR CASH FLOWS FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2009

OPERATING ACTIVITIES

During the first quarter of fiscal 2009, the Corporation's cash flows from operations totalled $15.3 million or $0.41 per share compared with $20.7 million or $0.55 per share for the same quarter in 2008. The $5.4 million decline resulted primarily from the lower EBITDA discussed in the previous section, combined with lower distributions received from the Fund and higher income taxes payable resulting from the depletion of tax loss carry-forwards for its U.S. power stations during fiscal 2008.

The change in non-cash working capital items resulted in a $1.0 million cash outflow compared with a $5.2 million cash outflow the previous year. The lower cash outflow in 2009 is mainly attributable to lower electricity output, which reduced accounts receivable relating to energy and RECs.

As a result, operating activities in the first quarter of 2009 generated net cash flows totalling $14.3 million compared with $15.5 million in the same period of 2008.

INVESTING ACTIVITIES

In the first quarter of 2009, Boralex made investments totalling $16.0 million compared with $19.1 million for the same period of 2008. Under the investment strategy implemented by the Corporation to deal with current economic conditions, almost all of the investments for the period were allocated to projects that will generate cash flows in the short term. The specific investment breakdown is as follows:

- $6.8 million for additions to property, plant and equipment, including $5.0 million related to the construction of the 40 MW phase I of the Thames River wind power site in Ontario, which will be commissioned during the current fiscal year, and various equipment mainly for improving wood-residue segment productivity;
- $5.9 million for the Corporation's development projects, almost the total amount of which for deposits on the purchase of turbines for 20 MW phase II of the Thames River wind project; and
- $3.3 million in other investments, consisting primarily of the net amount under lease agreements for crushing equipment (chippers) with wood-residue suppliers.

FINANCING ACTIVITIES

Financing activities required $3.0 million in cash in the first quarter of 2009 compared with $7.5 million in 2008. Boralex repaid an amount of $6.7 million on its long-term debt. In addition, the Corporation took out a short-term bank loan of $3.7 million to finance part of its cash requirements for the period.

Currency fluctuations, particularly that of the euro, reduced cash and cash equivalents by $2.1 million during the quarter.

Total changes in cash and cash equivalents for the period represented a $6.8 million cash outflow. As a result, cash and cash equivalents totalled $62.4 million as at March 31, 2009 compared with $69.2 million as at December 31, 2008.

To sum up, cash flows in the first quarter of fiscal 2009 shows that Boralex has maintained its strong capacity to generate cash flows from operations despite less favourable operating conditions than in the previous year, and has also complied with its objectives of prudent management of investments and capital structure in the current economic environment. As a result, the Corporation once again reduced its indebtedness and maintained a solid cash position while pursuing targeted development projects.

FINANCIAL POSITION AS AT MARCH 31, 2009

GENERAL COMMENTS

The Corporation's balance sheet between December 31, 2008 and March 31, 2009 showed no significant changes, except for the addition of net earnings for the period to retained earnings and the impact of currency fluctuations, investments and debt repayments made during the first quarter.

ASSETS

As at March 31, 2009, Boralex's total assets amounted to $630.4 million compared with $623.0 million as at December 31, 2008. This marginal increase is mainly due to the $14.9 million rise in the value of other assets resulting primarily from investments made during the period in lease agreements for crushing equipment in phase II of the Thames River wind power project and the increase in value of electricity price hedging financial instruments following the drop in electricity selling prices in the Northeastern U.S. market. Other long-term asset items remained relatively unchanged. Current assets decreased by $7.2 million following the reduction of accounts receivable and the utilization of a portion of the Corporation's cash to fund its current operations and development projects.

WORKING CAPITAL

As at March 31, 2009, Boralex's working capital amounted to $61.5 million with a ratio of 2.02:1, compared with $70.2 million and a ratio of 2.19:1 as at December 31, 2008. As indicated previously, this slight decrease is attributable to the following factors:

– A $6.8 million outflow from cash and cash equivalents;
– A $5.7 reduction in accounts receivable resulting from lower output volume; and
– A bank loan of $3.7 million.

However, the above factors were mitigated by a $3.9 million increase in inventories resulting from the seasonal fluctuations of wood residue availability in forests, a $2.9 million decrease in accounts payable and accrued liabilities primarily attributable to the payment of interest under the master credit agreement in France, due every six months in January and July.

TOTAL DEBT AND SHAREHOLDERS' EQUITY

As at March 31, 2009, the Corporation's total debt decreased to $176.8 million as at March 31, 2009 from $187.4 million as at December 31, 2008 due to repayments on the long-term debt (net of new loans) and the impact of the euro's weakening against the Canadian dollar.

Net of cash and cash equivalents and excluding deferred financing costs, total net debt stood at $122.7 million as at March 31, 2009 compared with $122.5 million as at December 31, 2008.

Shareholders' equity rose by $11.0 million or 3.0% to $373.7 million as at March 31, 2009 from $362.7 million as at December 31, 2008 due to the net earnings for the period and higher accumulated other comprehensive income resulting from the strengthening of the U.S. dollar against the Canadian currency and lower electricity prices in the U.S. market that led to a rise in value of financial instruments used to hedge electricity prices.

As a result, the total net debt to capitalization ratio (total net debt plus shareholders' equity) fell to 24.7% as at March 31, 2009 from 25.3% as at December 31, 2008. With a share price of $5.47 as at March 31, 2009, Boralex's total net debt to enterprise value ratio stood at 37.3% as at that date compared with 30.1% as at December 31, 2008 when the share price was $7.55. Note that the Corporation's long-term goal for managing capital is to keep this ratio below 65%.

As at March 31, 2009, the Corporation had an undrawn balance of approximately €170.8 million ($285.4 million) under the €265 million master credit agreement entered into in Europe in June 2007. Given the letters of credit already issued and the value of Boralex Power Income Fund units held, the Corporation has a borrowing capacity of approximately $13.2 million under the revolving credit facility.

With respect to the financing for the upcoming commissioning of the first 40 MW wind farms in Ontario, the Corporation is currently in the final documentation phase with a financial institution to close a project financing arrangement by the end of May 2009. The entire project will require outlays of approximately $105 million, of which nearly $37 million has already been disbursed by Boralex. Given the cash on hand and the expected financing, Boralex does not foresee any obstacles to project completion.

SUBSEQUENT EVENT AS AT MARCH 31, 2009

Boralex announced on June 11, 2008 that it had entered into a purchase agreement to acquire the 14.5 MW Ocean Falls power station in Northern British Columbia of which 2 MW is currently being generated. The closing of this deal, which was subject to the granting of certain regulatory approvals and consents typically required in such transactions, was announced by Boralex on April 6, 2009. The total purchase price is $19 million, of which $5 million was paid at closing, while an amount of $5 million will be payable on April 1, 2010 and the balance on April 1, 2011. Under the purchase agreement, if Boralex obtains financing for the project before April 1, 2011, net proceeds will be paid to the seller in reduction of the purchase price balance.

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.

In an initial phase, Boralex intends to optimize the 2 MW currently generated by the Ocean Falls power station, for which an investment of about $3 million is required between 2009 and 2011. Upgrading work on the remaining 12.5 MW and the two other 10 MW projects will be carried out over a longer time frame.

OUTLOOK BY SEGMENT FOR FISCAL 2009

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

WIND POWER SEGMENT

In 2009, this segment will receive a performance boost as the new wind farms in Ontario come on-stream in the third quarter. Returns in France are also expected to improve, where wind conditions have been below average in 2008 and in the first quarter of 2009. The Corporation can also count on a full-year contribution from the Avignonet-Lauragais wind farm expansion commissioned on April 1, 2008. Furthermore, the consolidation of this segment's results is expected to get a boost from the euro's strengthening against the Canadian dollar over the past year. Boralex is closely following the implementation of Ontario's new Feed-in Tariff ("FIT") program for renewable energy, under which developers could obtain 20-year contracts at a tariff of $135 per MWh. This program is now in the public consultation phase to finalize the terms and conditions, and Boralex hopes to qualify thereunder the yet-to-be developed 50 MW Thames River site and the 90 MW acquired in 2008 in the Merlin-Buxton project.

HYDROELECTRIC SEGMENT

Although this segment is currently adversely affected by electricity price declines in the New York State open market, this factor is partially offset by the strengthening of the U.S. dollar against the Canadian currency since a year ago. Output, however, is difficult to forecast, since it primarily depends on water flow conditions. It should be noted that the segment benefits from a low and generally fixed cost structure.

Apart from the effective management of current operations, in 2009, the hydroelectric segment will focus on integrating the new power station in British Columbia into the remote control centre at Kingsey Falls, Québec and optimizing its current output of 2 MW.

WOOD-RESIDUE THERMAL POWER SEGMENT

Electricity selling prices in the Northeastern U.S. open market have dropped sharply since the end of the third quarter of 2008, tracking declines in demand 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.

However, given that Boralex has implemented forward sales contracts and hedging mechanisms in recent years, it has locked in sales, for fiscal 2009, the equivalent of 66% of the expected output at the Ashland, Stratton and Livermore Falls power stations at set prices exceeding current market prices, and 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 at a price above the current market level. Lastly, the Stacyville power station, whose contract ended in February 2009, has discontinued operations and is expected to remain idle for the remainder of 2009.

Wood residue supplies continue to be subject to upward price pressure, particularly due to the regional nature of the market. Among other factors, the relative scarcity of wood residue in some regions has resulted in a higher price for this raw material for the Stratton and Livermore Falls power stations. Thanks to its strategy of leasing chipping and grinding equipment to contractors, for which the Corporation earmarked more than $3 million in the first quarter of 2009, Boralex expects to enjoy continuous and sufficient supplies in 2009.

Note that Boralex can adjust its wood-residue power output to market conditions, thereby ensuring some flexibility in managing costs.

Although REC market prices have fallen since the end of 2008, Boralex believes that this market's potential remains unchanged. As at March 31, 2009, the Stratton, Livermore Falls and Ashland power stations had US$29 million in firm commitments ($37 million) at prices slightly below 2008 levels for REC deliveries to the Connecticut market between April 1, 2009 and December 31, 2012. For the remainder of fiscal 2009, already finalized sales account for more than 90% of expected 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 limit the entry of new competitors into REC market over coming quarters, which could help maintain and even bolster prices.

Generally, Boralex will move forward with optimization initiatives to enhance profitability in this segment. However, given the operational shutdown at the Stacyville power station and the generally less favourable market conditions than in 2008, results are likely to fall short of the 2008 record, but this decline could be mitigated by the strengthening of the U.S. dollar against the Canadian dollar.

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. Despite all efforts deployed, it is currently difficult to assess the likelihood of the program's extension.

NATURAL GAS THERMAL POWER STATION

For this French power station, the current economic slowdown could mainly result in 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.

GENERAL 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, more than 46% of the Corporation's total installed capacity is covered by long-term power sales contracts ranging from 2 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, the new hydroelectric power station in British Columbia, a hydroelectric power station in the U.S. and a wood-residue power station.

  The clients served by these power stations are EDF, Hydro-Québec, BC Hydro and New Brunswick Power, which are regulated public utility companies with very high credit ratings, as well as Niagara Mohawk Power in the U.S. The portion of Boralex's installed and operating capacity under long-term contracts will increase to more than 52% in summer 2009 with the commissioning of the first wind power facilities of the Thames River site in Southern Ontario with a total capacity of 40 MW, which are covered by 20-year power sales contracts with the Ontario Power Authority, a crown corporation. With respect to assets under long-term contracts primarily in the wind and hydroelectric power 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 (the Corporation's development projects are discussed later in this section). The 54% of Boralex's current installed capacity not covered by long-term contracts consists primarily of the five 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 20-year track record. Over the years, Boralex has built a 365 MW, 22-site portfolio whose performance and reliability it has tirelessly optimized by developing leading-edge expertise, high-performance management tools and effective operating strategies. Furthermore, 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 March 31, 2009, Boralex enjoyed a solid financial position with over $62 million in cash resources and a total net debt ratio representing less than 25% of its book capitalization and 37% of its enterprise value.

– 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 platform 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 current credit 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.

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. Currently, the Corporation's main projects are as follows:

– *Commissioning of phase I (40 MW) of the 90 MW 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. These facilities will then contribute to the Corporation's results at a rate of $110/MWh, including an annually indexed portion, of electricity sold. Project financing will be arranged by the end of May 2009. Boralex is moving ahead with the financing arrangements required to commission the project's phases II and III, with a total capacity of 50 MW. Following the recent announcement of the new program for renewable energy in Ontario with a $135/MWh tariff, the Corporation is currently in discussions with the Ontario government regarding the project's eligibility. While Boralex would like to see its second wind farm, namely Merlin-Buxton, in Southern Ontario, with a potential installed capacity of approximately 90 MW qualify for this program as well, this facility could also be included 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 to decide on the timing for the financing required to carry out the project.

– *Hydroelectric project in British Columbia*: Boralex aims to initially optimize the 2 MW currently being generated by this newly acquired Northern B.C. power station with an installed capacity of 14.5 MW, and subsequently bring on-stream the additional 12.5 MW. The upgrades required to develop this power station to its full potential and execute the development rights for two other hydroelectric projects in the same area, representing an additional 10 MW, are scheduled over a medium-term horizon.

Moreover, Boralex is closely monitoring development project acquisition opportunities for 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 as well as France, where the Corporation can draw down $285 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.

To sum up, due to expected expansion in the wind power segment, hedging instruments implemented in the wood-residue segment, and the positive impact of currency fluctuations, and based on normal climate conditions, Management anticipates, if not growth, certainly a satisfactory level of revenues, operating income and cash flows from operations in fiscal 2009, which should allow Boralex to meet 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 are 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;
- Complete the development and commissioning of its first 40 MW Ontario wind farms and start optimizing its new hydroelectric power station in British Columbia;
- Keep a lookout for acquisition opportunities available in the market, particularly those with short-term return potential; 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 keeping a 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 March 31, 2009, Boralex's capital stock consisted of 37,740,921 Class A shares issued and outstanding, unchanged from December 31, 2008. There were 1,005,816 stock options outstanding as at March 31, 2009, of which 524,560 were exercisable.

Between March 31, 2009 and May 8, 2009, no new shares were issued on exercise of stock options and no shares were repurchased pursuant to the normal course issuer bid.

FINANCIAL INSTRUMENTS

MARKET RISK

As at March 31, 2009, the Corporation had entered into three electricity financial swaps for total deliveries of 617,400 MWh over periods of 9 to 23 months. All financial electricity swaps as at March 31, 2009 were designated as hedges of future variable cash flows related to the delivery of electricity and their favourable fair value amounted to $24.4 million (US$19.3 million). These contracts qualify for hedge accounting.

INTEREST RATE RISK

The Corporation carries long-term debts bearing interest at variable rates. As at March 31, 2009, approximately 87% 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 14% of total debt. As at March 31, 2009, the notional balance of these swaps stood at $125.5 million (€75.1 million) while their unfavourable fair value was $5.9 million (€3.5 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 fair value is unfavourable only indicates that forward interest rates have fallen, and has no bearing 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 phase I (40 MW) 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 to be delivered in 2009. The foreign exchange gain realized on the settlement of the options, combined with a subsequent gain on the resulting cash amount in euros, totalled $4.4 million as at March 31, 2009. With respect to the other projects initially slated for 2009 and 2010, the Corporation signed contracts for the purchase of another lot of 15 turbines during the second quarter of 2009 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 trends 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 first quarter ended March 31, 2009, these management and administration agreements generated $1.4 million ($1.3 million in 2008), while its share of the Fund's results amounted to $2.3 million ($3.2 million in 2008). Lastly, Boralex received Fund distributions totalling $2.4 million ($3.1 million in 2008).

One of Boralex's power stations in France supplies steam to a French division of Cascades Inc., which has significant influence over Boralex since it holds 34% of its share capital. For the first quarter of 2009, revenues from this agreement totalled $2.7 million ($2.8 million in 2008).

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 the first quarter of 2009, revenues from this agreement totalled $0.1 million ($0.1 million in 2008).

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

Commitments and contingencies are discussed in the MD&A section of the Corporation's 2008 annual report. No new commitments or significant contingencies arose during the first quarter of 2009.

RISK FACTORS AND UNCERTAINTIES

Boralex has not observed any significant changes regarding the risks and uncertainties to which it is subject, and which are discussed under *Outlook* and *Risk Factors and Uncertainties* in the MD&A section of the annual report for the year ended December 31, 2008.

CHANGES IN ACCOUNTING POLICIES AND NEW ACCOUNTING POLICIES ADOPTED IN 2009

New accounting policies adopted in 2009

GOODWILL AND INTANGIBLE ASSETS

On January 1, 2009, the Corporation adopted the Canadian Institute of Chartered Accountants ("CICA") *Handbook* 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 developed 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 such classification. The impact of the adoption of this standard in 2008 was a decrease of $0.5 million in *Other assets*, a decrease of $0.2 million in *Future income tax liabilities* and a decrease of $0.3 million in *Retained earnings* (see note 2 to the interim consolidated financial statements).

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 standard 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 retrospectively, without restatement of prior periods, to interim and annual financial statements published on or after January 20, 2009. As a result of the application of this new recommendation, on January 1, 2009, the fair value of derivative financial instruments presented under assets decreased by $0.8 million, the fair value of derivative financial instruments presented under liabilities decreased by $0.1 million, future income tax assets increased by $0.2 million and accumulated other comprehensive income decreased by $0.5 million.

Future changes in accounting policies

BUSINESS COMBINATIONS, CONSOLIDATED FINANCIAL STATEMENTS AND NON-CONTROLLING INTERESTS

In January 2009, the CICA issued three new accounting standards: Section 1582, *Business Combinations*, Section 1601, *Consolidated Financial Statements* and Section 1602, *Non-controlling Interests*. These new standards apply to financial statements for periods beginning on or after January 1, 2011. The Corporation is currently assessing the requirements of these new standards.

Section 1582 replaces former Section 1581*, Business Combinations*, and establishes standards for the accounting of business combinations. The Section establishes principles and requirements for how the acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; recognizes and measures the goodwill acquired in the business combination or the gain from a bargain purchase; and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The Section is the Canadian equivalent to International Financial Reporting Standard IFRS 3, *Business Combinations*, and applies prospectively to business combinations for which the acquisition date occurs at the beginning of the first annual fiscal year beginning on or after January 1, 2011.

Sections 1601 and 1602 supersede former Section 1600, *Consolidated Financial Statements*. Section 1601 establishes the standards for the preparation of consolidated financial statements. It applies to interim and annual consolidated financial statements for periods beginning on or after January 1, 2011. Section 1602 establishes standards for the accounting of a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. This Section is the equivalent of International Accounting Standard IAS 27, *Consolidated and Separate Financial Statements*, and applies to interim and annual consolidated financial statements for periods beginning on or after January 1, 2011.

INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

In February 2008, Canada's Accounting Standards Board ("AcSB") confirmed that GAAP, as used by publicly accountable enterprises, will be superseded by 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 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 using 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 the Corporation's accounting policies, assessing their impact and, where necessary, analyzing the various policies that the Corporation 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).

Notice to shareholders

The interim financial statements as at March 31, 2009 and 2008 have not been reviewed by our auditors PricewaterhouseCoopers LLP. The financial statements are the responsibility of the Management of Boralex Inc. They have been reviewed and approved by the Board of Directors on the recommendation of its Audit Committee.

Consolidated Balance Sheets

(in thousands of dollars) (unaudited)	NOTE	AS AT MARCH 31, 2009	AS AT DECEMBER 31, 2008
			(RESTATED – NOTE 2)
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		**62,391**	69,195
Accounts receivable		**43,116**	48,812
Future income taxes		**391**	238
Inventories		**12,735**	8,833
Prepaid expenses		**3,360**	2,106
		121,993	129,184
Investment		**69,779**	69,348
Property, plant and equipment		**331,072**	330,443
Power sales contracts		**25,085**	26,402
Other assets	4	**82,496**	67,578
		630,425	622,955
LIABILITIES			
CURRENT LIABILITIES			
Bank loans and advances	5	**3,689**	–
Accounts payable and accrued liabilities		**19,208**	22,115
Income taxes		**2,973**	1,716
Other liabilities		**5,317**	5,718
Current portion of long-term debt	5	**29,351**	29,410
		60,538	58,959
Long-term debt	5	**147,451**	158,035
Future income taxes		**42,250**	39,437
Fair value of derivative financial instruments	6	**5,889**	3,000
Non-controlling interests		**580**	804
		256,708	260,235
SHAREHOLDERS' EQUITY			
Capital stock		**222,694**	222,694
Contributed surplus		**3,326**	3,069
Retained earnings		**142,673**	135,461
Accumulated other comprehensive income		**5,024**	1,496
		373,717	362,720
		630,425	622,955

See accompanying notes

Consolidated Statements of Earnings

(in thousands of dollars, except amounts per share and number of shares) (unaudited)	NOTE	FOR THE QUARTERS ENDED MARCH 31, 2009	2008
			(RESTATED – NOTE 2)
Revenue from energy sales		**57,198**	54,455
Renewable energy tax credits		**3,488**	3,122
Operating costs		**39,653**	33,953
		21,033	23,624
Share in earnings of the Fund		**2,303**	3,248
Management revenues from the Fund		**1,380**	1,341
Other revenues		**1,504**	163
		26,220	28,376
OTHER EXPENSES			
Management and operation of the Fund		**1,129**	938
Administrative expenses		**4,139**	3,547
		5,268	4,485
OPERATING EARNINGS BEFORE AMORTIZATION		**20,952**	23,891
Amortization		**6,465**	5,810
Foreign exchange gain		**(43)**	(474)
Financial instruments	6	**(115)**	319
Financing costs		**3,418**	3,466
		9,725	9,121
EARNINGS BEFORE INCOME TAXES		**11,227**	14,770
Income taxes		**3,956**	5,444
		7,271	9,326
Non-controlling interests		**(59)**	(94)
NET EARNINGS		**7,212**	9,232
Net earnings per Class A share (basic)		**$0.19**	$0.25
Net earnings per Class A share (diluted)		**$0.19**	$0.24
Weighted average number of Class A shares outstanding (basic)		**37,740,921**	37,566,967

See accompanying notes

Consolidated Statements of Retained Earnings

(in thousands of dollars) (unaudited)	NOTE	FOR THE QUARTERS ENDED MARCH 31, 2009	2008
			(RESTATED – NOTE 2)
Balance – beginning of period, as previously reported		**135,783**	115,669
Application of Section 3064 (note 2)		**(322)**	(336)
Balance – beginning of period		**135,461**	115,333
Net earnings for the period		**7,212**	9,232
Balance – end of period		**142,673**	124,565

See accompanying notes

Consolidated Statements of Comprehensive Income

(in thousands of dollars) (unaudited)	NOTE	FOR THE QUARTERS ENDED MARCH 31, 2009	2008
			(RESTATED – NOTE 2)
Net earnings for the period		**7,212**	9,232
Other comprehensive income	7		
TRANSLATION ADJUSTMENTS			
Unrealized foreign exchange gains on translation of financial statements of self-sustaining foreign operations		**4,751**	9,053
Foreign exchange gains related to the reduction of net investment in self-sustaining foreign operations		**(65)**	–
Share of cumulative translation adjustments of the Fund		**539**	591
Taxes		**(127)**	(78)
CASH FLOW HEDGES			
Change in fair value of financial instruments		**6,726**	(463)
Hedging items realized and recognized in net earnings		**(6,677)**	(121)
Hedging items realized and recognized in balance sheet		**(1,097)**	–
Taxes		**(42)**	187
		4,008	9,169
Comprehensive income for the period		**11,220**	18,401

See accompanying notes

Consolidated Statements of Cash Flows

(in thousands of dollars) (unaudited)	NOTE	FOR THE QUARTERS ENDED MARCH 31, 2009	2008
			(RESTATED – NOTE 2)
OPERATING ACTIVITIES			
Net earnings		**7,212**	9,232
Distributions received from the Fund		**2,409**	3,098
Adjustments for non-cash items			
Financial instruments		**(115)**	319
Share in earnings of the Fund		**(2,303)**	(3,248)
Amortization		**6,465**	5,810
Amortization of deferred financing costs and monetization program expenses		**772**	708
Renewable energy tax credits		**(867)**	(1,093)
Future income taxes		**2,143**	5,442
Other		**(395)**	479
		15,321	20,747
Change in non-cash working capital items		**(1,040)**	(5,213)
		14,281	15,534
INVESTING ACTIVITIES			
Additions to property, plant and equipment		**(6,763)**	(4,327)
Change in debt servicing reserves		**(21)**	(29)
Development projects		**(5,885)**	(14,227)
Other		**(3,324)**	(478)
		(15,993)	(19,061)
FINANCING ACTIVITIES			
Increase in bank loans and advances		**3,689**	–
Payments on long-term debt		**(6,691)**	(9,000)
Net proceeds from share issuance		**–**	1,466
		(3,002)	(7,534)
TRANSLATION ADJUSTMENT ON CASH AND CASH EQUIVALENTS		**(2,090)**	2,361
NET CHANGE IN CASH AND CASH EQUIVALENTS		**(6,804)**	(8,700)
CASH AND CASH EQUIVALENTS – BEGINNING OF PERIOD		**69,195**	79,195
CASH AND CASH EQUIVALENTS – END OF PERIOD		**62,391**	70,495
SUPPLEMENTAL INFORMATION			
CASH AND CASH EQUIVALENTS PAID FOR:			
Interest		**2,116**	2,442
Income taxes		**269**	303

See accompanying notes

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

Note 1.
Accounting policies

These unaudited interim consolidated financial statements and accompanying notes have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") with the exception that they do not comply, in all material respects, to the requirements of GAAP for annual financial statements.

The unaudited interim consolidated financial statements have been prepared in accordance with the same accounting policies as those used in the latest audited consolidated financial statements, except for the new policies described in note 2. The unaudited interim consolidated financial statements and accompanying notes should be read in conjunction with the audited consolidated financial statements of Boralex Inc. ("Boralex" or the "Corporation") for the year ended December 31, 2008.

Note 2.
Changes in accounting policies and new accounting policies adopted in 2009

New accounting policies adopted in 2009

Goodwill and Intangible Assets

On January 1, 2009, the Corporation adopted the Canadian Institute of Chartered Accountants ("CICA") *Handbook* 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 developed 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 such classification. As a result, the Corporation had to write off start-up costs recognized in *Deferred costs* under *Other assets*.

The impact of this change on the Boralex's previously issued financial statements is as follows:

	AS AT DECEMBER 31, 2008		
	AS REPORTED	SECTION 3064	RESTATED
Deferred costs	544	(544)	–
Future income tax liabilities	39,616	(179)	39,437
Retained earnings	135,783	(322)	135,461
Other comprehensive income (loss)	1,539	(43)	1,496

	AS AT DECEMBER 31, 2007		
	AS REPORTED	SECTION 3064	RESTATED
Deferred costs	519	(488)	31
Future income tax liabilities	23,430	(161)	23,269
Retained earnings	115,669	(336)	115,333
Other comprehensive income (loss)	(54,431)	9	(54,422)

These restatements had no impact on previously reported cash flows related to operating, investing or financing activities.

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 standard 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 retrospectively, without restatement of prior periods, to interim and annual financial statements published on or after January 20, 2009. As a result of the application of this new recommendation, on January 1, 2009, the fair value of derivative financial instruments presented under assets decreased by $801,000, the fair value of derivative financial instruments presented under liabilities decreased by $96,000, future income tax assets increased by $225,000 and accumulated other comprehensive income decreased by $480,000.

Note 2. Changes in accounting policies and new accounting policies adopted in 2009 (Cont'd)

Future changes in accounting policies

Business combinations, consolidated financial statements and non-controlling interests

In January 2009, the CICA issued three new accounting standards: Section 1582, *Business Combinations*, Section 1601, *Consolidated Financial Statements* and Section 1602, *Non-controlling Interests*. These new standards apply to financial statements for periods beginning on or after January 1, 2011. The Corporation is currently assessing the requirements of these new standards.

Section 1582 replaces former Section 1581, *Business Combinations*, and establishes standards for the accounting of business combinations. The Section establishes principles and requirements for how the acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; recognizes and measures the goodwill acquired in the business combination or the gain from a bargain purchase; and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The Section is the Canadian equivalent to International Financial Reporting Standard IFRS 3, *Business Combinations*, and applies prospectively to business combinations for which the acquisition date occurs at the beginning of the first annual fiscal year beginning on or after January 1, 2011.

Sections 1601 and 1602 supersede former Section 1600, *Consolidated Financial Statements*. Section 1601 establishes the standards for the preparation of consolidated financial statements. It applies to interim and annual consolidated financial statements for periods beginning on or after January 1, 2011. Section 1602 establishes standards for the accounting of a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. This Section is the equivalent of International Accounting Standard IAS 27, *Consolidated and Separate Financial Statements* and applies to interim and annual consolidated financial statements for periods beginning on or after January 1, 2011.

International Financial Reporting Standards ("IFRS")

In February 2008, Canada's Accounting Standards Board ("AcSB") confirmed that GAAP, as used by publicly accountable enterprises, will be superseded by 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 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 using 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.

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

Note 3.
Use of estimates and measurement uncertainty

The preparation of financial statements in conformity with Canadian 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.

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 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 negotiated contract prices, adjusted for the estimated Consumer Price Index ("CPI") in subsequent years.

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

Note 3. Use of estimates and measurement uncertainty (Cont'd)

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, either in the form of taxable earnings or dividends. As a result, 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 4.
Other assets

	NOTE	AS AT MARCH 31, 2009	AS AT DECEMBER 31, 2008
			(RESTATED – NOTE 2)
Renewable energy tax credits	a)	**22,636**	22,238
Restricted funds and other funds held in trust	b)	**1,732**	1,741
Net investments in capital leases	c)	**13,873**	10,738
Fair value of derivative financial instruments		**24,361**	20,238
CO_2 quotas		**1,379**	367
Development projects	d)	**17,940**	12,093
Investments		**575**	163
		82,496	67,578

a) Renewable energy tax credits represent tax credits earned by the Corporation before it set up the monetization program, 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 three to five years.

b) As at March 31, 2009, reserves for long-term debt servicing guaranteed financing in France and Canada. Reserves amounted to $1,524,000 (€912,000) in France and $208,000 in Canada. These reserves represent 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 March 31, 2009, foreign currency receivables were US$9,208,000 ($11,604,000) and $2,269,000 respectively.

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

Note 5.
Long-term debt

Long-term debt includes the following:

	NOTE	MATURITY	RATE[1]	AS AT MARCH 31, 2009	AS AT DECEMBER 31, 2008
Bridge financing facility	a)	2009	2.31	**11,363**	11,591
Master agreement – wind power projects	b)	2017-2022	4.99	**137,688**	145,807
Term loan payable – Nibas wind farm	c)	2016	5.00	**11,910**	12,482
Term loan payable – Stratton power station	d)	2010	3.25	**3,146**	3,302
Capital leases	e)	2012-2015	5.45	**13,865**	14,831
Other debts				**3,420**	3,725
				181,392	191,738
Current portion				**(29,351)**	(29,410)
Financing costs, net of accumulated amortization				**(4,590)**	(4,293)
				147,451	158,035

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

a) The €6,800,000 bridge financing facility (€6,800,000 as at December 31, 2008) bears interest at a variable rate based on EURIBOR rates plus a margin. To secure the credit, Boralex issued a letter of credit for $11,363,000 as at March 31, 2009 ($11,591,000 as at December 31, 2008) drawn from its revolving credit. The credit facility expired on December 31, 2008, and 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 March 31, 2009, €94,150,000 (€94,150,000 as at December 31, 2008) had been drawn down, and the Corporation had an unused balance of €170,850,000 ($285,500,000).

   To cover potential temporary working capital requirements for debt servicing, the lenders also granted two lines of credit for $8,408,000 (€5,032,000) and $939,000 (€562,000), respectively. As at March 31, 2009, 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 March 31, 2009, 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 March 31, 2009, the balance stood at €7,127,000 (€7,322,000 as at December 31, 2008). 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 instalments. As at March 31, 2009, the balance stood at US$2,496,000 (US$2,696,000 as at December 31, 2008). 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 €8,297,000 as at March 31, 2009 (€8,700,000 as at December 31, 2008). They bear interest at fixed and variable rates and are repayable on a quarterly basis. The net carrying value of associated capital assets was €12,046,000 ($20,128,000) as at March 31, 2009 (€12,399,000 or $21,136,000 as at December 31, 2008).

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

Note 5. Long-term debt (Cont'd)

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 investment market value. 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. As at March 31, 2009, the Corporation had issued letters of credit totalling $15,386,000 (including the letter of credit discussed in a)) and had drawn down an amount of $3,689,000 from this credit facility. Lastly, the market value of one Fund unit was $3.92 on March 31, 2009 and the repayment threshold was $2.31 (including all outstanding letters of credit issued against the operating credit facility). The current expiry date of the revolving period is January 27, 2011.

Amortization of deferred costs amounted to $772,000 for the three-month period ended March 31, 2009 ($708,000 for the three-month period ended March 31, 2008).

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 mitigate interest rate risk, the Corporation has entered into interest rate swaps to obtain a fixed interest expense on portions varying from 60% to 92% of the corresponding variable rate debt. These agreements involve the periodic exchange of interest payments without any exchange of the notional 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 87% to 14%.

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 March 31, 2009, $1,732,000 ($1,741,000 as at December 31, 2008) 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 $183,693,000 as at March 31, 2009 ($188,684,000 as at December 31, 2008), 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:

2010	29,351
2011	19,524
2012	14,060
2013	13,072
2014	13,766

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

Note 6.
Financial instruments

The carrying amount and fair value of the derivative financial instruments designated as cash flow hedges as at March 31, 2009 are detailed as follows:

	AS AT MARCH 31, 2009		AS AT DECEMBER 31, 2008	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Financial swaps – interest rates	**–**	**5,889**	65	3,000
Financial swaps – electricity prices	**24,361**	**–**	20,173	–
Total	**24,361**	**5,889**	20,238	3,000

Note 7.
Accumulated other comprehensive income (loss)

	AS AT MARCH 31, 2009				
	Translation adjustments	Hedge Electricity swaps	Hedge Interest rate swaps	Hedge Other	Total
Balance – beginning of period, as previously reported	**(11,566)**	**12,990**	**(5,569)**	**5,684**	**1,539**
Application of Section 3064 (note 2)	**(43)**	**–**	**–**	**–**	**(43)**
Application of EIC-173 (note 2)	**–**	**(539)**	**59**	**–**	**(480)**
Balance – beginning of period, restated	**(11,609)**	**12,451**	**(5,510)**	**5,684**	**1,016**
Change in fair value	**4,751**	**10,955**	**(3,018)**	**(1,211)**	**11,477**
Share of cumulative translation adjustments of the Fund	**539**	**–**	**–**	**–**	**539**
Reclassification to net earnings	**(65)**	**(6,878)**	**201**	**–**	**(6,742)**
Reclassification to balance sheet	**–**	**–**	**–**	**(1,097)**	**(1,097)**
Taxes	**(127)**	**(1,305)**	**902**	**361**	**(169)**
Balance – end of period	**(6,511)**	**15,223**	**(7,425)**	**3,737**	**5,024**

	AS AT MARCH 31, 2008				
	Translation adjustments	Hedge Electricity swaps	Hedge Interest rate swaps	Hedge Other	Total
Balance – beginning of period, as previously reported	(54,612)	238	(683)	626	(54,431)
Application of Section 3064 (note 2)	9	–	–	–	9
Balance – beginning of period, restated	(54,603)	238	(683)	626	(54,422)
Change in fair value	9,053	(2,578)	(2,602)	4,717	8,590
Share of cumulative translation adjustments of the Fund	591	–	–	–	591
Reclassification to net earnings	–	174	(295)	–	(121)
Taxes	(78)	769	927	(1,509)	109
Balance – end of period	(45,037)	(1,397)	(2,653)	3,834	(45,253)

Note 8. Seasonality

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 nine 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 the volume of power generation, 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 a 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 currently 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, as will be the case in 2009.

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 these 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.

To sum up, although Boralex's performance is affected by seasonal cycles, their impact is mitigated by diversifying its power generation sources. The Corporation is also developing complementary revenue streams 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 dioxide ("CO_2") quota trading market in France.

Note 9. 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 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.

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

Note 9. Segmented information (Cont'd)

The following table reconciles EBITDA with net earnings:

	FOR THE QUARTERS ENDED MARCH 31, 2009	2008 (RESTATED – NOTE 2)
Net earnings	**7,212**	9,232
Non-controlling interests	**59**	94
Income taxes	**3,956**	5,444
Financing costs	**3,418**	3,466
Financial instruments	**(115)**	319
Foreign exchange gain	**(43)**	(474)
Amortization	**6,465**	5,810
EBITDA	**20,952**	23,891

INFORMATION BY SEGMENT

	FOR THE QUARTERS ENDED MARCH 31, 2009	2008
POWER GENERATION (MWh)		
Wind power stations	**60,761**	75,822
Hydroelectric power stations	**35,666**	43,380
Wood-residue thermal power stations	**296,688**	327,908
Natural gas thermal power station	**22,613**	22,493
	415,728	469,603
REVENUE FROM ENERGY SALES		
Wind power stations	**9,083**	10,065
Hydroelectric power stations	**2,760**	3,790
Wood-residue thermal power stations	**38,181**	33,877
Natural gas thermal power station	**7,174**	6,723
	57,198	54,455
EBITDA		
Wind power stations	**7,215**	8,504
Hydroelectric power stations	**1,709**	3,034
Wood-residue thermal power stations	**11,803**	11,071
Natural gas thermal power station	**1,511**	1,321
Corporate and eliminations	**(1,286)**	(39)
	20,952	23,891
ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT		
Wind power stations	**5,141**	2,686
Hydroelectric power stations	**–**	6
Wood-residue thermal power stations	**1,459**	1,200
Natural gas thermal power station	**22**	–
Corporate and eliminations	**141**	435
	6,763	4,327

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

Note 9. Segmented information (Cont'd)

	AS AT MARCH 31, 2009	AS AT DECEMBER 31, 2008 (RESTATED – NOTE 2)
ASSETS		
Wind power stations	**236,075**	242,944
Hydroelectric power stations	**24,776**	23,019
Wood-residue thermal power stations	**192,098**	183,881
Natural gas thermal power station	**17,920**	17,151
Corporate and eliminations	**159,556**	155,960
	630,425	622,955

Note 10. Business acquisition

On January 1, 2009, the Corporation acquired a 21% interest in the Forces Motrices St-François ("FMSF") hydroelectric power station for $753,000 (€446,000). The purchase price was settled using the Corporation's interest in Forces Motrices du Joudron ("FMJ"), a French company. As the price paid for the FMSF shares exceeded their carrying value by $471,000, this amount shall be included under *Other assets* until Boralex completes the allocation of the purchase price. Boralex intends to acquire, during the second quarter of 2009, the remaining 29% of FMSF shares it does not already own. The price per share for this second portion of the transaction will be the same as for the first. Boralex recorded a gain of $720,000 (€437,000) on the disposal of FMJ.

Note 11. Subsequent event

On April 6, 2009, the Corporation announced that it had concluded the acquisition of the Ocean Falls hydroelectric power station. This acquisition, previously announced in June 2008, was subject to certain suspensive conditions which were fulfilled at the end of March 2009. The purchase price amounts to $19,000,000, of which $5,000,000 was paid on the closing date. The $14,000,000 balance of the purchase price, bearing interest at 6% per annum, will be paid over the next two years. If Boralex obtains appropriate financing for the project before the second anniversary of the purchase date, the net proceeds of that financing, up to the balance of the purchase price, are payable to the seller. In the absence of financing, the Corporation must pay the amount of $5,000,000 on April 1, 2010 and $9,000,000 on April 1, 2011. Boralex has also committed to invest approximately $3,000,000 for the completion of maintenance work on the dam and the modernization of certain facilities.

Note 12. Comparative figures

Certain data have been reclassified in the comparative financial statements to conform to the presentation adopted during the period.

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