INTERIM REPORT
AS AT SEPTEMBER 30, 2011

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BORALEX

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Interim Management's Discussion and Analysis 3

as at September 30, 2011

DESCRIPTION OF BUSINESS

Boralex Inc. ("Boralex" or the "Corporation") is an electricity producer whose core business is the development and operation of renewable energy power stations. Employing nearly 350 people, the Corporation currently operates assets with a total installed capacity of more than 700 megawatts ("MW") in Canada, in the Northeastern United States and in France. Boralex stands out for its diversified expertise and in-depth experience in four types of power generation.

– Boralex currently operates a 251 MW **wind power** portfolio in Europe and Canada. In recent years, Boralex has become one of the most experienced wind power producers in France, where it currently generates 161 MW of power. Boralex also entered the wind power industry in Canada by generating 90 MW of power in Ontario. In Québec, Boralex is working with a partner on the development of the Seigneurie de Beaupré wind farms with a total installed capacity of 341 MW, slated for commissioning at the end of 2013 and 2014. Also, in partnership with Québec regional county municipalities ("RCMs"), Boralex has obtained long-term power sales contracts for two other sites totalling 50 MW, slated for commissioning at the end of 2014 and 2015.
– Boralex has almost 20 years of expertise as a **hydroelectric** power producer, owning and operating 15 power stations of which seven are in the U.S., seven in Québec and one in British Columbia. This segment has an installed capacity of 136 MW.
– Boralex owns ten **thermal** power stations, with a total installed capacity of 312 MW. The Corporation is North America's largest producer of renewable **wood-residue** energy, with eight thermal power stations for a combined capacity of 267 MW. Boralex also operates two natural gas cogeneration power stations with a total installed capacity of 45 MW.
– Boralex recently diversified its energy portfolio with the addition of a **solar** power facility with an installed capacity of 4.5 MW located in France.

Boralex's stock, in which Cascades Inc. ("Cascades") holds a 35% interest, and its convertible debentures trade on the Toronto Stock Exchange under the ticker symbol BLX and BLX.DB, respectively.

INTRODUCTORY COMMENTS TO INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

GENERAL

This interim Management's Discussion and Analysis ("MD&A") reviews the operating results and cash flows for the three- and nine-month periods ended September 30, 2011 compared with the corresponding three- and nine-month periods ended September 30, 2010, as well as the Corporation's financial position as at September 30, 2011 and December 31, 2010. This MD&A should be read in conjunction with the unaudited interim condensed 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 most recent annual report for the year ended December 31, 2010 and the unaudited interim consolidated financial statements and accompanying notes for the quarters ended March 31, 2011 and June 30, 2011.

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

In this interim MD&A, Boralex or the Corporation means, as applicable, either Boralex and its subsidiaries and divisions or Boralex or one of its subsidiaries or divisions.

The information contained in this interim MD&A reflects all material events up to November 8, 2011, the date on which the Board of Directors approved the unaudited interim condensed 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 based on current expectations, 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 November 8, 2011.

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, raw material price increases and availability, currency fluctuations, volatility in the selling price of electricity, the Corporation's financing capacity, negative changes in general market conditions and regulations affecting the industry, as well as other factors described later in *Outlook* and *Risk Factors and Uncertainties* in this MD&A. Unless otherwise specified by the Corporation, the forward-looking statements do not take into account the possible impact on its activities of transactions, non-recurring items or exceptional items announced or occurring after the statements are made.

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

IFRS COMPLIANCE

Unless otherwise indicated, the financial information presented in this MD&A, including tabular amounts, is prepared in accordance with International Financial Reporting Standards ("IFRS") which, since January 1, 2011, represent the new Canadian generally accepted accounting principles ("GAAP"). Although IFRS use a conceptual framework similar to GAAP, there are significant differences in accounting policies that must be assessed. IFRS require more disclosures than Canadian GAAP. The interim consolidated financial statements included in this MD&A are in accordance with IFRS and present comparative 2010 data. There are no significant changes compared with disclosures made in the last annual MD&A, except for the finalization of the purchase price allocation of the Fund.

The information provided in this MD&A also includes non-GAAP performance measures. For management purposes, Boralex uses earnings before interests, taxes depreciation and amortization ("EBITDA") as defined under *Non-GAAP measures*, adjusted EBITDA and adjusted net earnings, as these measures allow management to assess the operating and financial performance of the Corporation's various segments. In addition, in analyzing changes in its financial position, the Corporation uses cash flows from operations as defined under *Non-GAAP measures* and cash flows from operations per share. Both management and investors use these measures to assess the quality of cash flows generated by operations and the Corporation's ability to finance its expansion projects through its operating activities.

These non-GAAP performance measures are drawn primarily from the interim consolidated financial statements, but do not have a standardized meaning under IFRS; accordingly, they may not be comparable to similarly named measures used by other companies.

Please see *Non-GAAP measures* in this MD&A for reconciliation between EBITDA, adjusted EBITDA, adjusted net earnings and cash flows from operations with the financial measures most comparable to IFRS in Boralex's consolidated statements of earnings (loss) and consolidated statements of cash flows.

MAIN EVENTS THAT HAVE A SIGNIFICANT IMPACT ON THE CORPORATION'S RESULTS FOR FISCAL 2011 COMPARED WITH FISCAL 2010

133% EXPANSION IN BORALEX'S WIND POWER INSTALLED CAPACITY FROM DECEMBER 2009 TO DECEMBER 2010

Since the end of fiscal 2009, Boralex has completed major wind power development projects to expand its presence in Europe and tap into the Canadian market. From 107.5 MW at the beginning of December 2009, the operating installed capacity of Boralex's wind power segment rose to 251 MW by the end of December 2010, of which 161 MW stemmed from France and 90 MW in Canada.

Boralex's key development stages in the wind power segment were as follows:

- December 2009 and January 2010: commissioning of the 40 MW Phase I Thames River site in Ontario, Canada;
- February 2010: commissioning of an additional 4.5 MW at the Cham Longe wind farm in France;
- August 2010: commissioning of Phase I of the 18 MW Ronchois wind farm in France;
- October 2010: commissioning of Phase II of the 12 MW Ronchois wind farm in France;
- October 2010: commissioning of Le Grand Camp (10 MW) and Chasse Marée (9 MW) power stations in France; and
- End of October–December 2010: commissioning of the 50 MW Phase II Thames River site.

Of this expansion totalling 143.5 MW, note that approximately 100 MW was commissioned in the last five months of fiscal 2010, which generates a significant additional contribution to Boralex's fiscal 2011 results. All of Boralex's wind power assets enjoy long-term power sales contracts and favourable selling prices in both Europe and Canada.

Furthermore, Boralex is working with partners on development projects totalling 391 MW in Québec, all of which have long-term sales contracts, which are expected to be commissioned between December 2013 and December 2015. In Europe, over the next few quarters, Boralex intends to leverage the partnership it entered into with *Cube Infrastructure Fund* ("Cube") to expand the wind power segment in France and other European countries.

SEPTEMBER 15, 2010 ACQUISITION OF BORALEX POWER INCOME FUND

In May 2010, Boralex launched a takeover bid (the "Offer") to acquire Boralex Power Income Fund (the "Fund"). In addition to holding 23% of the Fund's trust units at the time of the Offer, Boralex had, since the Fund's inception in 2002, managed and operated the Fund's ten power stations with a total installed capacity of 190 MW, including seven hydroelectric power stations, two wood-residue thermal power stations and one natural gas cogeneration facility. Eight of these power stations are located in Québec, Canada and two in the U.S. State of New York.

On September 15, 2010, Boralex announced that it held 68% of the outstanding trust units of the Fund including its initial ownership interest and the units acquired as at that date in connection with the Offer. On November 1, 2010, Boralex and the Fund executed the business combination agreement approved during the October 21, 2010 special meeting of Fund unitholders. On November 2, 2010, Boralex proceeded with the payments for all the units of the Fund still outstanding at the time of the business combination. Total consideration of $226.5 million was paid to unitholders through a combination of $90.6 million in cash and the issuance of $135.9 million in convertible debentures. Boralex completed the privatization of the Fund by applying to have the Fund's status as a reporting issuer revoked and to have the units delisted from the Toronto Stock Exchange.

The acquisition of the Fund provided Boralex with numerous and significant advantages, consisting mainly as follows:

- The addition of high-quality assets, particularly in the hydroelectric segment, boasting a proven, historically profitable power generation method and a reliable cash flow stream;
- Greater stability in profit margins and cash flows, since all of the power stations acquired from the Fund have long-term power sales contracts; and
- Greater geographic diversification of Boralex's assets among Canada, the U.S. and Europe.

At the corporate level, the integration of the Fund's assets allowed for more focused growth, operating and financing strategies with no organizational changes required, as Boralex had already been operating and managing these assets since 2002. For more information about the Fund's acquisition transaction, see *Important event: acquisition of the Fund by Boralex* in the annual report for the year ended December 31, 2010, as well as note 4, *Acquisition of the Fund*, to the audited consolidated financial statements for the year ended December 31, 2010 and to the unaudited interim condensed consolidated financial statements as at September 30, 2011.

In the statement of earnings (loss) for the first nine months ended September 30, 2011, the Fund's results were fully consolidated into Boralex's results. The Fund's earnings are accounted for as follows in Boralex's statement of earnings (loss) for the corresponding periods ended September 30, 2010:

– They are fully consolidated in Boralex's earnings from September 15, 2010 to September 30, 2010; and
– Up to September 15, 2010, Boralex's earnings include 23% of the Fund's net earnings, which is broken down under *Share in earnings (loss) of the Fund, Management revenues from the Fund* while expenses are reported under *Management and operating expense of the Fund*;

Boralex's balance sheets as at September 30, 2011 and December 31, 2010 include all of the Fund's balance sheet items.

In this MD&A, where it deems relevant, management sometimes provides discussion and certain tables to carve out the operations acquired from the Fund, better reflect their impact and allow readers to compare the performance of Boralex's other operations with prior periods.

COMBINED IMPACT OF THESE EVENTS ON BORALEX'S POSITIONING

Subsequent to the recent expansion in the wind power segment and the acquisition of the Fund, Boralex now owns approximately over 700 MW of energy production assets in Canada, the U.S. and France. Of these assets, a growing share (73% currently) has price-indexed long-term power sales contracts, which will provide greater stability in profit margins and cash flows.

With more than 400 MW of projects currently under development with its partners, Boralex's strategic objective of 1,000 MW of capacity operating or under development has been achieved. As a result, Boralex has set a new objective of attaining an operating/contracted capacity of 1,500 MW by 2015.

The following table provides information about the makeup of the Corporation's energy portfolio as at September 30, 2011.

	MW	%
Installed capacity		
- Contracted	515.0	*73%*
- Non-contracted	188.5	*27%*
Total	**703.5**	***100%***
Location		
- Canada	237.5	*34%*
- United States	286.5	*41%*
- Europe	179.5	25%
Total	**703.5**	***100%***
Type of power		
- Wind	251.0	*36%*
- Hydroelectricity	136.0	*20%*
- Thermal/wood residue	267.0	*38%*
- Thermal/natural gas	45.0	*6%*
- Solar	4.5	-
Total	**703.5**	***100%***

To sum up, **expansion in the wind power segment and the acquisition of the Fund continue to grow Boralex's profit margins, in addition to considerably strengthening its profile, positioning, capacity to generate cash flows from operations, and accordingly, Boralex's growth outlook. These two developments have also significantly lowered Boralex's business risk by reducing to under 27% the relative share of U.S. assets that do not have power sales contracts and are therefore exposed to fluctuations in the open electricity market. In the same perspective, Boralex is continuing its efforts to diversify into new renewable power production markets, such as solar power, to drive economic value over the longer term. The first solar power station became operational in June 2011.**

SEASONAL FACTORS

(in thousands of Canadian dollars, except per share amounts and number of shares outstanding)	For the three-month periods ended December 31, 2010	March 31, 2011	June 30, 2011	September 30, 2011	For the twelve-month periods ended September 30, 2011
REVENUES FROM ENERGY SALES					
Wind power stations	17,479	18,273	15,193	11,328	62,273
Hydroelectric power stations	18,060	12,732	15,990	11,615	58,397
Wood-residue thermal power stations	24,173	34,309	12,544	16,990	88,016
Natural gas thermal power stations	13,324	16,714	10,112	9,300	49,450
Solar power station	-	-	124	887	1,011
	73,036	82,028	53,963	50,120	259,147
EBITDA					
Wind power stations	14,103	15,066	11,991	8,160	49,320
Hydroelectric power stations	14,401	9,076	12,648	8,513	44,638
Wood-residue thermal power stations	1,904	10,283	(2,174)	(585)	9,428
Natural gas thermal power stations	4,105	7,640	3,559	3,694	18,998
Solar power station	-	-	121	810	931
Corporate and eliminations	(4,149)	(4,277)	(4,412)	(3,815)	(16,653)
	30,364	37,788	21,733	16,777	106,662
NET EARNINGS (LOSS) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX	3,081	7,011	(5,107)	(7,208)	(2,223)
Per share, basic, in dollars	0.08	0.19	(0.14)	(0.19)	(0.06)
Per share, diluted, in dollars	0.08	0.18	(0.14)	(0.19)	(0.06)
Weighted average number of shares outstanding (basic)	37,744,869	37,766,491	37,773,213	37,745,598	37,757,452

(in thousands of Canadian dollars, except per share amounts and number of shares outstanding)	For the three-month periods ended December 31, 2009 [1]	March 31, 2010	June 30, 2010	September 30, 2010	For the twelve-month periods ended September 30, 2010
REVENUES FROM ENERGY SALES					
Wind power stations	10,974	11,413	9,230	7,802	39,419
Hydroelectric power stations	2,948	3,054	2,323	2,784	11,109
Wood-residue thermal power stations	27,031	30,216	22,896	28,072	108,215
Natural gas thermal power station	5,196	6,321	2,279	3,438	17,234
	46,149	51,004	36,728	42,096	175,977
EBITDA					
Wind power stations	9,085	9,419	7,112	5,628	31,244
Hydroelectric power stations	1,743	1,873	1,182	1,473	6,271
Wood-residue thermal power stations	9,359	10,028	4,424	7,135	30,946
Natural gas thermal power station	915	2,038	(106)	254	3,101
Corporate and eliminations	(9,117)	(5,567)	(7,216)	(3,479)	(25,379)
	11,985	17,791	5,396	11,011	46,183
NET EARNINGS (LOSS) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX	14,712	1,976	(4,714)	34,730	46,704
Per share, basic, in dollars	0.39	0.05	(0.12)	0.92	1.24
Per share, diluted, in dollars	0.39	0.05	(0.12)	0.87	1.22
Weighted average number of shares outstanding (basic)	37,740,921	37,740,921	37,740,921	37,740,921	37,740,921

(1) In accordance with Canadian GAAP prior to January 1, 2010.

SEASONAL AND OTHER CYCLICAL FACTORS

Operations and results for some of the Corporation's power stations are subject to seasonal cycles and other cyclical factors that vary by segment. However, the impact of seasonal variations differs, depending on whether the power stations have power sales contracts or not. For the 38 Boralex facilities that have long-term indexed fixed-price power sales contracts, seasonal cycles mainly affect the volume of power generated. The nine Boralex 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 power production volumes, also have an impact on prices obtained. Moreover, the price of natural gas, which is highly volatile, has a significant influence on electricity selling prices in the Northeastern U.S.

Generally, electricity consumption increases in the winter and summer, which corresponds to Boralex's first and third quarters. Historically, this means that, for those two periods, the power stations that do not have long-term power sales contracts obtain generally higher average prices. In addition, when deemed appropriate, the Corporation uses financial instruments for periods of up to three years for hedging purposes to fix part of the prices of power stations without long-term power sales contracts, which partially offsets the impact of seasonal cycles and other cyclical factors on prices. Also, as the wood-residue power stations that Boralex operates in the United States can regulate their output level, they usually generate more power during such peak periods.

Whether or not power stations have sales contracts, their output level is subject to the following seasonal cycles, depending on their power production method.

Wind — For all the 251 MW of Boralex's production covered by long-term power sales contracts, wind conditions are usually more favourable in the winter, which falls during Boralex's first and fourth quarters, both in France and Canada. However, in these periods there is a greater risk of lower production caused by weather conditions, such as icing. In general, in view of weather conditions described above, management estimates that approximately 60% of the annual production in its wind power segment is generated in the first and fourth quarters and 40% in the second and third quarters.

Hydroelectric — For the 15 Boralex hydroelectric facilities, power output depends on water flow, which in Canada 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 apart from the three hydroelectric power stations whose water flow is regulated upstream, Boralex's hydroelectric facilities do not have reservoirs that would permit water flow regulation during the year.

Wood-residue — Because the eight wood-residue power stations can regulate their production level as mentioned previously, they usually generate more power during such peak periods. For this reason, these power stations perform shutdowns for regular maintenance in spring or fall, which impacts their operating results for those periods.

Natural gas — Steam production at the two natural gas cogeneration power stations located in France and in Québec is covered by power sales contracts, and in addition, is quite stable from quarter to quarter, as it is driven by client demand, which is relatively predictable and steady. Moreover, the Kingsey Falls power station in Québec entered into two advantageous hedging contracts in 2010 for a two-year period to index the selling price of its steam production and fix its natural gas purchase price. The French 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 the cost of natural gas is 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, since 2005, the power station has been operating its cogeneration equipment during the five months from November to March.

Solar — The Corporation's only solar power station currently in operation is located in the south of France. For this 4.5 MW asset, for which Boralex benefits from a long-term power sales contract, sun conditions are usually more favourable in the spring and summer, which fall during Boralex's second and third quarters. In general, in view of weather conditions described above, management estimates that approximately 65% of the annual production at its solar power station will be generated in the second and third quarters and 35% in the first and fourth quarters.

Previous discussions of each of the segments notwithstanding, management expects that the integration of the Fund's assets and the commissioning of new wind power assets over the past few quarters will have a stabilizing and therefore beneficial impact with respect to seasonal changes that could affect the Corporation's performance, given that all of the assets have long-term power sales contracts that shield them from seasonal price cycles. Moreover, these recent developments resulted in an increase in the relative share of the wind power and hydroelectric segments in Boralex's total production, thereby heightening these segments' seasonal patterns.

Note also that, under Boralex's strategic plan, the wind segment—which is already the largest single contributor to Boralex's EBITDA—is expected to become the Corporation's largest segment in terms of installed capacity, revenues and cash flows, in addition to enjoying the greatest geographical diversification. With the commissioning of the wind farms currently under development in Canada, the Corporation's wind power segment will represent nearly 650 MW of installed capacity by the end of fiscal 2015, excluding potential acquisitions of assets that are operational or under development.

In general, excluding potential foreign currency fluctuations, the expansion in the wind power segment, coupled with the addition of the Fund's power stations, should accentuate the Corporation's trend of generating more revenues and earnings during the first and fourth quarters.

To sum up, **although Boralex's performance is affected by seasonal cycles and other cyclical factors, their impact is mitigated by the increasing portion of revenues from fixed-price and price-indexed contracts, the growing diversification of its power generation sources and its geographic positioning. All these factors will contribute significantly to Boralex's results, as well as the recent acquisition of the Fund and the Corporation's wind power expansion strategy. To mitigate its vulnerability to seasonal cycles and other cyclical factors, the Corporation is also using hedging instruments to hedge prices and developing complementary revenue streams in order to increase and secure revenues or to reduce costs. In the U.S., for example, Boralex participates in the Renewable Energy Certificates ("RECs") market and the Forward Capacity Market.**

FINANCIAL HIGHLIGHTS

(in thousands of Canadian dollars, except per share amounts and number of shares outstanding)	*Three-month periods ended September 30* 2011	2010	*Nine-month periods ended September 30* 2011	2010
REVENUES FROM ENERGY SALES				
Wind power stations	**11,328**	7,802	**44,794**	28,446
Hydroelectric power stations	**11,615**	2,784	**40,337**	8,161
Wood-residue thermal power stations	**16,990**	28,072	**63,843**	81,184
Natural gas thermal power stations	**9,300**	3,438	**36,127**	12,037
Solar power station	**887**	-	**1,011**	-
	50,120	42,096	**186,112**	129,828
EBITDA				
Wind power stations	**8,160**	5,628	**35,217**	22,159
Hydroelectric power stations	**8,513**	1,473	**30,237**	4,528
Wood-residue thermal power stations	**(585)**	7,135	**7,525**	21,587
Natural gas thermal power stations	**3,694**	254	**14,892**	2,186
Solar power station	**810**	-	**931**	-
Corporate and eliminations	**(3,815)**	(3,479)	**(12,504)**	(16,262)
	16,777	11,011	**76,298**	34,198
***ADJUSTED* EBITDA(1)**				
Wind power stations	**8,160**	5,628	**35,217**	22,159
Hydroelectric power stations	**8,513**	1,473	**30,237**	4,528
Wood-residue thermal power stations	**(585)**	7,135	**7,525**	21,587
Natural gas thermal power stations	**3,694**	254	**14,892**	2,186
Solar power station	**810**	-	**931**	-
Corporate and eliminations	**(3,815)**	(3,822)	**(12,504)**	(10,642)
	16,777	10,668	**76,298**	39,818
NET EARNINGS (LOSS) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX	**(7,208)**	34,730	**(5,304)**	31,992
Per share, basic, in dollars	**(0.19)**	0.92	**(0.14)**	0.85
Per share, diluted, in dollars	**(0.19)**	0.87	**(0.14)**	0.84
Weighted average number of shares outstanding (basic)	**37,745,598**	37,740,921	**37,761,692**	37,740,921

(1) See *Non-GAAP measures* for information on these specific items.

(in thousands of Canadian dollars)	**As at September 30, 2011**	As at December 31, 2010
BALANCE SHEET DATA		
Total assets	**1,224,075**	1,246,019
Long-term debt(2)	**516,390**	513,774
Convertible debentures	**222,579**	220,824
Total equity	**344,004**	367,689

(2) Including long-term debt and its current portion and bank loans and advances.

NON-GAAP MEASURES

In order to assess the performance of its assets and reporting segments, Boralex uses EBITDA, adjusted EBITDA, adjusted net earnings and cash flows from operations as performance measures. Management believes that these measures are widely accepted financial indicators used by investors to assess the operational performance of a company and its ability to generate cash through operations.

These non-GAAP measures are drawn primarily from the unaudited interim condensed consolidated financial statements, but do not have a standardized meaning under IFRS; accordingly, they may not be comparable to similarly named measures used by other companies.

Investors should not view EBITDA as an alternative measure to, for example, net earnings (loss), or as a measure of operating results or cash flows, or as a parameter for measuring liquidity, which are IFRS measures.

EBITDA is reconciled to the most comparable IFRS measure, namely, net earnings (loss) attributable to shareholders of Boralex, in the following table:

	Three-month periods ended September 30		*Nine-month periods ended September 30*	
(in thousands of Canadian dollars)	**2011**	2010	**2011**	2010
Net earnings (loss) attributable to shareholders of Boralex	**(7,208)**	34,730	**(5,304)**	31,992
Non-controlling interests	**(333)**	(370)	**(761)**	(277)
Income tax recovery	**(4,804)**	(10,801)	**(4,157)**	(8,249)
Net loss (gain) on financial instruments	**68**	214	**477**	(125)
Foreign exchange loss (gain)	**(5,377)**	361	**(3,340)**	(69)
Financing costs	**12,553**	4,195	**37,049**	13,078
Other gains	**(582)**	-	**(2,959)**	(774)
Net gain on deemed disposal of investment in the Fund	-	(25,692)	-	(25,692)
Impairment of property, plant and equipment	**6,503**	-	**6,503**	-
Amortization	**15,957**	8,374	**48,790**	24,314
EBITDA	**16,777**	11,011	**76,298**	34,198

Cash flows from operations are equal to cash flows related to operating activities before change in working capital. Management uses this measure to assess cash flows generated by the Corporation's operations and its capacity to finance its expansion through those funds. In light of the seasonal nature of the Corporation's operations and 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. Accordingly, the Corporation considers it more representative not to integrate changes in working capital in this performance measure.

Investors should not consider cash flows from operations as an alternative measure to cash flows related to operating activities, which is an IFRS measure.

Cash flows from operations are reconciled to the most comparable IFRS measure, namely, cash flows related to operating activities, in the following table:

	Nine-month periods ended September 30	
(in thousands of Canadian dollars)	**2011**	2010
Cash flows related to operating activities	**73,184**	24,822
Cash flows provided by change in non-cash working capital items	**(30,471)**	(2,988)
CASH FLOWS FROM OPERATIONS	**42,713**	21,834

The following tables reconcile EBITDA and net earnings (loss) attributable to shareholders of Boralex as reported in the financial statements with adjusted EBITDA and adjusted net loss:

EBITDA

	Three-month periods ended September 30		Nine-month periods ended September 30	
(in thousands of Canadian dollars)	**2011**	2010	**2011**	2010
EBITDA	**16,777**	11,011	**76,298**	34,198
Specific items:				
Share of Boralex in impairment of property, plant and equipment at a power station owned by the Fund	**-**	1,899	**-**	5,620
Professional fees incurred in connection with the offer to acquire the Fund	**-**	(2,242)	**-**	-
Adjusted EBITDA	**16,777**	10,668	**76,298**	39,818

NET EARNINGS (LOSS) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX

	Three-month periods ended September 30		Nine-month periods ended September 30	
(in thousands of Canadian dollars)	**2011**	2010	**2011**	2010
Net earnings (loss) attributable to shareholders of Boralex	**(7,208)**	34,730	**(5,304)**	31,992
Specific items*:				
Share of Boralex in impairment of property, plant and equipment at a power station owned by the Fund	**-**	1,397	**-**	4,136
Professional fees incurred in connection with the offer to acquire the Fund	**-**	2,058	**-**	3,627
Amortization of balance of deferred financing costs under initial financing for Phase I of Thames River	**-**	-	**-**	1,915
Impairment of property, plant and equipment	**4,552**	-	**4,552**	-
Other gains	**(407)**	-	**(2,071)**	(519)
Gain on deemed disposal of investment in the Fund	**-**	(30,874)	**-**	(30,874)
Income tax recovery on deemed disposal of investment in the Fund	**-**	(12,750)	**-**	(12,750)
Adjusted net loss	**(3,063)**	(5,439)	**(2,823)**	(2,473)

* Impact net of income taxes

ANALYSIS OF OPERATING RESULTS FOR THE THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2011

The following table shows major changes in net earnings (loss) attributable to shareholders of Boralex:

	Net earnings (loss) (in millions of C$)	*Per share (in C$, basic)*
THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2010	**34.7**	**0.92**
Change in EBITDA	5.8	0.15
Amortization	(7.6)	(0.20)
Impairment of property, plant and equipment	(6.5)	(0.17)
Net gain on deemed disposal of investment in the Fund	(25.7)	(0.68)
Other gains	0.6	0.02
Financing costs	(8.3)	(0.22)
Foreign exchange loss (gain)	5.7	0.15
Net loss on financial instruments	0.1	-
Income tax recovery	(6.0)	(0.16)
THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2011	**(7.2)**	**(0.19)**

During the third quarter of fiscal 2011, Boralex reported a net loss of $7.2 million or $0.19 per share (basic and diluted) attributable to shareholders of Boralex compared with net earnings of $34.7 million or $0.92 per share basic ($0.87 per share diluted) attributable to shareholders of Boralex during the same quarter of fiscal 2010.

As shown in the table on the previous page and as commented later in this section of the MD&A, results for the third quarter of 2011 include the following two specific items:

– A $6.5 million impairment loss before income taxes ($4.6 million after income taxes) in property, plant and equipment of the wood-residue power station in Dolbeau, Québec; and
– A $0.6 million gain before income taxes ($0.4 million after income taxes).

These two items had a net adverse impact of $4.2 million on results for the third quarter of 2011. Conversely, results for the third quarter of fiscal 2010 included specific items totalling a net favourable amount of $40.2 million after income taxes, namely: gain on deemed disposal of investment in the Fund ($30.9 million); income tax recovery related to this deemed disposal ($12.8 million); professional fees incurred in connection with the transaction to acquire the Fund ($2.1 million) and Boralex's share in the impairment of property, plant and equipment at the Dolbeau power station ($1.4 million).

Excluding the specific items for the two comparative periods, Boralex recognized an adjusted net loss of $3.1 million or $0.08 per share (basic and diluted) attributable to shareholders for the third quarter of 2011 compared with an adjusted net loss of $5.4 million or $0.14 per share (basic and diluted) attributable to shareholders in 2010.

Although most of the assets acquired from the Fund as well as the recently commissioned wind and solar power stations have made significant positive contributions to Boralex's operating results, and despite the overall sound performance of the hydroelectric segment, the adjusted net results for the third quarter of 2011 were affected by the following main factors:

– The negative impact on consolidated EBITDA of the decline in operating results from the wood-residue segment as discussed later in this MD&A;
– An $8.3 million increase in financing costs resulting from the issuance of convertible debentures in the third quarter of fiscal 2010, wind and solar power project financing and the acquisition of the Fund; and
– A $7.6 million increase in amortization expense arising from the acquisition of the Fund, recent expansion in Boralex's wind power segment in Canada and France and the commissioning of the first solar power station.

These unfavourable items were partly offset by a foreign exchange gain realized in the third quarter of 2011 compared with a foreign exchange loss in the same quarter of 2010 and a favourable change in recovered income taxes (excluding the specific item in 2010).

The following table shows major changes in revenues from energy sales and EBITDA:

(in millions of Canadian dollars)	*Revenues from energy sales*	*EBITDA*
THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2010	**42.1**	**11.0**
Impact of consolidated operations of the Fund	15.9	7.8
Data pertaining to other operations of Boralex:		
Power stations commissioned	4.7	3.8
Shutdown of Ashland power station	(6.2)	(1.8)
Pricing	(0.6)	(0.6)
Volume	(0.8)	0.7
RECs and green certificates (operational power stations)	(3.6)	(3.5)
Translation of self-sustaining subsidiaries (exchange rate effect)	(1.1)	(0.3)
Development	-	(0.3)
Boralex Power Income Fund – pre-acquisition	-	2.0
Other	(0.3)	(2.0)
THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2011	**50.1**	**16.8**

REVENUES FROM ENERGY SALES

Revenues from energy sales for the three-month period ended September 30, 2011 totalled $50.1 million, up $8.0 million or 19.0% from $42.1 million for the same quarter of fiscal 2010, primarily due to the expansion in the Corporation's asset base consisting of the following:

– Contributions of the ten power stations acquired from the Fund for the entire three-month period in 2011 compared with two weeks only in the third quarter of 2010;
– Commissioning of new wind power stations totalling 81 MW during the fourth quarter of fiscal 2010, namely Phase II of the Thames River site in Canada and the Ronchois (Phase II), Le Grand Camp and Chasse Marée facilities in France; and
– Additional contribution of Boralex's first solar power station commissioned in June 2011.

The increase in consolidated revenues for the quarter was further boosted by organic revenue growth in Boralex's hydroelectric segment. However, these different growth factors were offset by a $13.7 million decline in revenues at U.S. wood-residue power stations compared with the previous year resulting largely from lower REC sales, the shutdown of the Ashland power station due to the expiry of its electricity price financial swaps on February 28, 2011, a planned decline in production volume at other power stations and the adverse foreign exchange impact. These items are discussed in greater detail in the segment performance analysis later in this MD&A.

In total, Boralex generated 572,144 MWh of power in the third quarter of fiscal 2011 compared with 447,878 MWh for the same period in 2010. This 27.7% increase was driven by the contribution of the Fund's power stations for all the three months of the quarter and the commissioning of new wind and solar power stations. Excluding these items, production volume at Boralex's existing power stations fell 21.9% owing primarily to the production shutdown of the Ashland power station and the voluntary production slowdown at other U.S. wood-residue power stations owing to unfavourable market conditions.

EBITDA

Consolidated EBITDA for the third quarter of fiscal 2011 amounted to $16.8 million. As shown in the table on page 10 of this MD&A, adjusted EBITDA stood at $10.7 million for the same period last year. Accordingly, Boralex recorded a $6.1 million or 57% year-over-year increase in adjusted EBITDA for the third quarter of fiscal 2011, while its third quarter adjusted EBITDA margin as a percentage of revenues from energy sales rose to 33.5% from 25.4% for the third quarter of 2010.

The consolidation of the Fund's results for the entire three-month period in fiscal 2011 compared with two weeks only in 2010 combined with the recognition of a 23% share for the previous ten weeks contributed an additional $7.9 million to consolidated adjusted EBITDA (taking into account the share in the loss of the Fund). Furthermore, the newly commissioned power stations as previously mentioned generated an additional EBITDA of $3.8 million.

However, excluding the results of the Fund and the newly commissioned wind and solar power stations, Boralex's other operations generated EBITDA of $5.1 million, down $5.6 million for the same quarter of 2010. This decline is almost entirely attributable to the wood-residue segment, particularly to lower REC sales, the shortfall resulting from the suspension of operations at the Ashland power station, the decrease in selling prices and the output of operational power stations and the weakening of the US dollar against the Canadian currency. Conversely, higher production at existing hydroelectric and wind power stations contributed an additional $1.2 million to consolidated adjusted EBITDA

AMORTIZATION AND IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

The Corporation's amortization expense for the third quarter of 2011 amounted to $16.0 million compared with $8.4 million in fiscal 2010. Excluding amortization at the power stations acquired from the Fund ($4.3 million), Boralex's amortization expense was up $3.3 million owing to investments over the past 12 months in the wind power segment in Canada and France and the commissioning of the first solar power station in the summer of 2011. Conversely, the increase in the third quarter amortization expense was offset by the adjustment made in the second quarter to the useful life of a component for certain wind turbine models and the lower amortization expense of U.S. assets resulting from the depreciation of the US dollar against Canada's currency between the two comparative periods.

Also, given the continuing difficult market conditions and the unfavourable outlook for the Dolbeau wood-residue power station, Boralex management decided to shut down its operations permanently. As a result, Boralex recorded an impairment loss of $6.5 million ($4.6 after tax) in property, plant and equipment at this power station. The recoverable amount of the property, plant and equipment was determined to be insignificant.

OTHER GAINS

In the third quarter of 2011, Boralex recorded a gain of $0.6 million before income taxes on disposal of assets of the joint venture equally owned by Boralex and a partner and set up to develop and operate the 272 MW wind power project at the Seigneurie de Beaupré site in Québec. This gain represents the excess of the value of the joint venture share received by Boralex compared with the value of assets disposed of by Boralex.

FINANCING COSTS, FOREIGN EXCHANGE LOSS (GAIN) AND NET LOSS ON FINANCIAL INSTRUMENTS

Financing costs totalled $12.6 million for the third quarter of fiscal 2011 compared with $4.2 million for the same period of fiscal 2010. Excluding interest on debts acquired from the Fund ($1.5 million), Boralex's financing costs rose $6.9 million mainly as a result of issuing convertible debentures to partially finance the acquisition of the Fund and contracting new debt over the past 12 months in connection with the Corporation's various wind power development projects.

Boralex reported a $5.4 million foreign exchange gain compared with a $0.4 million loss for the corresponding quarter of the previous year, resulting in a favourable variance of $5.8 million. This stems primarily from the favourable $2.9 million revaluation of intercompany advances made to certain U.S. subsidiaries of Boralex and the favourable $2.1 million revaluation of the U.S. currency held by Boralex following the US dollar's strengthening against the Canadian currency between June 30, 2011 and September 30, 2011.

Furthermore, the Corporation posted a net loss on financial instruments of under $0.1 million for the third quarter of the current fiscal year, compared with a $0.2 million net loss on financial instruments in 2010. *Net loss (gain) on financial instruments* consists mainly of the ineffective portion of financial instruments. Although all of the financial instruments used by Boralex are highly effective, they always include a small ineffective portion. Generally, if the change in derivative instruments is favourable to Boralex, it gives rise to a favourable ineffective amount. Conversely, when the change in derivative instruments is unfavourable to Boralex, it gives rise to an unfavourable ineffective amount.

EARNINGS (LOSS) BEFORE INCOME TAXES, INCOME TAX RECOVERY AND NET EARNINGS (LOSS) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX

In the third quarter of fiscal 2011, Boralex recorded a loss before income taxes and share in loss of the Fund of $12.3 million compared with earnings before income taxes and share in loss of the Fund of $25.5 million in 2010. Boralex reported an income tax recovery of $4.8 million compared with $10.8 million for the third quarter of 2010. These changes are partly attributable to the previously discussed specific items.

Given the various jurisdictions in which the Corporation currently operates and develops future power station projects, management expects Boralex's combined tax rate to range from 30% to 33% over a medium-term horizon. In the short term, however, Boralex's combined tax rate may vary significantly from period to period due to changes in results across its geographic operating areas.

Accordingly, for the third quarter of fiscal 2011, Boralex reported a net loss of $7.2 million or $0.19 per share (basic and diluted) attributable to shareholders of Boralex compared with net earnings of $34.7 million or $0.92 per share basic ($0.87 per share diluted) attributable to shareholders of Boralex for the same quarter of fiscal 2010.

ANALYSIS OF OPERATING RESULTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2011

The following table shows major changes in net earnings (loss) attributable to shareholders of Boralex:

	Net earnings (loss) (in millions of C$)	*Per share (in C$, basic)*
NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2010	**32.0**	**0.85**
Change in EBITDA	42.1	1.11
Amortization	(24.5)	(0.65)
Impairment of property, plant and equipment	(6.5)	(0.17)
Net gain on deemed disposal of investment in the Fund	(25.7)	(0.68)
Other gains	2.2	0.06
Financing costs	(24.0)	(0.64)
Foreign exchange gain	3.3	0.09
Net loss (gain) on financial instruments	(0.6)	(0.02)
Income tax recovery	(4.1)	(0.10)
Non-controlling interests	0.5	0.01
NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2011	**(5.3)**	**(0.14)**

For the nine-month period ended September 30, 2011, Boralex reported a net loss of $5.3 million or $0.14 per share (basic and diluted) attributable to shareholders compared with net earnings of $32.0 million or $0.85 per share basic ($0.84 per share diluted) attributable to shareholders during the same quarter of fiscal 2010.

As shown in the table on page 10, 2011 results include specific items with an unfavourable amount of $2.5 million (net of income taxes). Other than the gain recorded in the third quarter as mentioned in the previous section, Boralex recognized, in the first quarter of 2011, a gain of $0.4 million net of income taxes on the sale of 784,796 shares of AbitibiBowater ("ABI") granted to Boralex by ABI in connection with the claim filed by the Corporation under ABI's C-36 process as well as a gain of $1.3 million net of income taxes on the sale of a non-strategic wind power project in Ontario.

Net earnings for the first nine months of fiscal 2010 included specific items with a favourable net amount of $34.5 million. In addition to the items recorded in the third quarter of 2010 as mentioned in the previous section, various specific items were recognized in the first half of fiscal 2010 resulting in an unfavourable net amount of $5.7 million.

Excluding the specific items for the two comparative periods, Boralex recognized an adjusted net loss of $2.8 million or $0.07 per share (basic and diluted) attributable to shareholders for the first nine months of 2011 compared with an adjusted net loss of $2.5 million or $0.07 per share (basic and diluted) attributable to shareholders for the same period of the previous fiscal year.

The addition of the Fund's assets and the new power stations commissioned after September 30, 2010 increased consolidated adjusted EBITDA by a total of $51.2 million compared with the first nine months of fiscal 2010. Despite this contribution, the adjusted net result decreased due to the factors mentioned in the discussion on the third quarter, namely the increases in the amortization expense and financing costs and the lower operating results at U.S. wood-residue power stations. These unfavourable items were partly offset by a favourable variance in foreign exchange gains and losses and income taxes.

The following table shows major changes in revenues from energy sales and EBITDA:

(in millions of Canadian dollars)	*Revenues from energy sales*	*EBITDA*
NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2010	**129.8**	**34.2**
Impact of consolidated operations of the Fund	69.1	37.7
Data pertaining to other operations of Boralex:		
Power stations commissioned	19.6	16.4
Shutdown of Ashland power station	(14.7)	(5.4)
Pricing	1.7	1.7
Volume	(5.8)	(0.8)
RECs and green certificates (operational power stations)	(9.1)	(9.0)
Translation of self-sustaining subsidiaries (exchange rate effect)	(4.1)	(1.1)
Raw material costs	-	(1.9)
Maintenance	-	1.2
Development	-	0.7
Boralex Power Income Fund (pre-acquisition)(1)	-	2.7
Other	(0.4)	(0.1)
NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2011	**186.1**	**76.3**

(1) This amount is reflected in the following items in the 2010 statement of earnings: Share in earnings (loss) of the Fund, Management revenues from the Fund and Management and operation of the Fund.

REVENUES FROM ENERGY SALES

Revenues from energy sales for the nine-month period ended September 30, 2011 totalled $186.1 million up $56.3 million or 43.4% from $129.8 million for the same period of fiscal 2010, stemming from Boralex's expansion strategy. The acquisition of the Fund's power stations contributed additional revenues of $69.1 million while the sites commissioned in 2010 generated revenues of $19.6 million.

Excluding these two sources of growth, revenues attributable to Boralex's other operations for the first nine months of fiscal 2011 totalled $97.4 million, down $32.4 million or 25.0% from the same period last year. This decline is mainly a result of the $32.2 million decrease in revenues at U.S. wood-residue power stations due primarily to the suspension of operations at the Ashland power station, lower REC sales, the scheduled cutback in output at existing power stations and the weakening of the US dollar. Revenues also dipped at Boralex's existing wind power stations mainly due to less favourable wind conditions than in 2010 in Canada and a lower average contractual selling price at the Plouguin and Cham Longe sites in France.

The Corporation's other segments (hydroelectricity and gas) benefited from higher average selling prices, particularly selling prices for steam and electricity sold by natural gas cogeneration power stations.

For the nine-month period ended September 30, 2011, the various net price increases generated additional revenues of $1.7 million for the first nine months of fiscal 2011. These changes are discussed in greater detail in the segment performance analysis later in this MD&A.

In total, Boralex generated 1,885,918 MWh of electricity in the first nine months of fiscal 2011 compared with 1,297,812 MWh for the same period of fiscal 2010. This 45.3% increase was driven by the acquisition of the Fund and the commissioning of new wind and solar power stations. Excluding these items, production volume at Boralex's existing power stations fell 21.0% owing primarily to the challenging conditions facing the U.S. wood-residue power stations and less favourable wind conditions for existing power stations in France.

EBITDA

Consolidated EBITDA for the first nine months of fiscal 2011 amounted to $76.3 million. This represents an increase of $36.5 million or 91.7% from the adjusted EBITDA of $39.8 million for the same period in 2010, excluding Boralex's $5.6 million share (before income taxes) in the impairment loss of property, plant and equipment at the Dolbeau power station recorded during this period. Accordingly, on an adjusted basis, the EBITDA margin as a percentage of revenues rose from 30.7% in 2010 to 41.0% this year, reflecting the greater share in Boralex's energy portfolio of segments generating higher profit margins, namely the wind, solar and hydroelectric segments.

Also, on an adjusted basis, the full consolidation of the Fund's results for the entire 2011 period compared with just two weeks in 2010, less the 23% share recognized for the remaining period in 2010, contributed an additional $34.8 million to EBITDA for the first nine months of fiscal 2011. The newly commissioned assets' contribution amounted to $16.4 million.

Excluding the results relating to the Fund and the newly commissioned power stations, EBITDA of the Corporation's existing operations declined $14.7 million, including $15.2 million for the U.S. wood-residue segment. The key unfavourable factors underlying this decrease are as follows:

– A $9.0 million adverse effect on consolidated EBITDA due to lower sales of RECs and green certificates;
– A $5.4 million shortfall in EBITDA resulting from the suspension of operations at the Ashland thermal power station;
– A $1.9 million rise in raw material costs, owing primarily to higher wood-residue supply costs at Boralex's U.S. thermal power stations following the suspension of the Biomass Crop Assistance Program ("BCAP") in effect in the U.S. from December 2009 through April 2010, which was financially beneficial to companies operating in the collection and processing of forest residues to generate electrical energy;
– A $1.1 million adverse foreign exchange impact stemming mainly from the Canadian dollar's rise against the US currency;
– A $0.8 million unfavourable volume effect (excluding the Fund power stations and newly commissioned facilities); and
– A $0.1 million net unfavourable effect of various other less significant items.

On the upside, these adverse factors were partly offset by the following favourable items:

– A $1.7 million additional contribution driven by higher average selling prices at Boralex's power stations (excluding Fund power stations); and
– A $1.9 million aggregate decline in maintenance expenses and development costs.

AMORTIZATION AND IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

The amortization expense for the first nine months of 2011 amounted to $48.8 million compared with $24.3 million in 2010. Excluding amortization at Fund power stations of $15.7 million, Boralex's amortization expense was up $8.8 million owing to investments in the wind and solar power segments over the previous quarters. However, the higher amortization expense in the third quarter was partly offset by a $1.4 million favourable adjustment resulting from the change to the useful life of a component for certain wind power turbine model effective in the second quarter of 2011. Furthermore, the US dollar's weakening against the Canadian currency between the two comparative periods led to a decrease in the amortization expense of assets located in the U.S.

As explained in the previous section, Boralex recognized, in the third quarter of 2011, an impairment loss of $6.5 million ($4.6 million after income taxes) in property, plant and equipment at the Dolbeau power station, which amounts to 100% of their remaining book value. Note that in fiscal 2010, prior to the acquisition of the Fund, Boralex had recognized an amount of $5.6 million ($4.1 million after income taxes) in respect of its 23% share in the impairment of property, plant and equipment at the same power station, which at the time was owned by the Fund.

OTHER GAINS

As mentioned previously, Boralex recognized, in the third quarter of 2011, a $0.6 million gain before income taxes ($0.4 million after taxes) on the disposal of assets of a joint venture. Also, in the first quarter of 2011, Boralex recognized gains totalling $2.4 million before income taxes ($1.7 million after taxes) including $1.8 million on the disposal of a wind power project that no longer met the Corporation's strategic objectives, and $0.6 million on the disposal of 784,796 ABI common shares at a price of $26.50 each. The sale of these shares in the market generated proceeds of $20.8 million. As at September 30, 2011, Boralex held 148,780 shares valued at $15.72.

During the first nine months of fiscal 2010, in addition to the net gain of $30.9 million realized in the third quarter on the deemed disposal of the investment in the Fund, Boralex had also realized a gain of $0.8 million ($0.5 million after income taxes) on the sale of a subsidiary in the wind power segment in France.

FINANCING COSTS, FOREIGN EXCHANGE GAIN AND NET LOSS (GAIN) ON FINANCIAL INSTRUMENTS

Financing costs totalled $37.0 million for the first nine months of fiscal 2011 compared with $13.1 million for the same period of 2010. Excluding interest on debts acquired from the Fund ($5.0 million), Boralex's financing costs rose $18.9 million mainly as a result of issuing convertible debentures to finance the acquisition of the Fund and contracting new debt over the past 12 months in connection with the Corporation's various wind and solar power development projects.

Boralex reported a $3.3 million foreign exchange gain in 2011 compared with a $0.1 million gain in 2010; the difference resulted from the remeasurement of intercompany advances. The Corporation recognized a $0.5 million net loss on financial instruments in 2011 compared with a net gain on financial instruments of $0.1 million in 2010, representing a $0.6 million favourable difference.

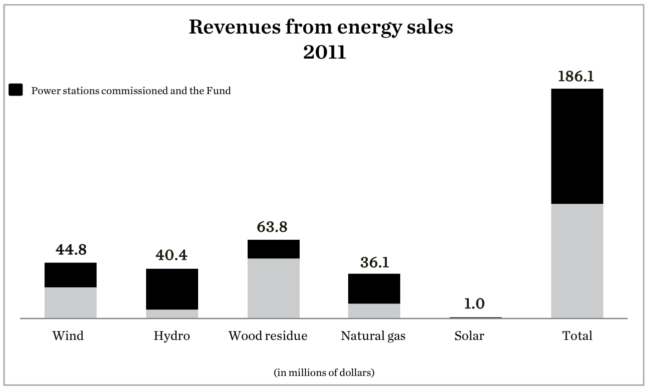
EARNINGS (LOSS) BEFORE INCOME TAXES, INCOME TAX RECOVERY AND NET EARNINGS (LOSS) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX

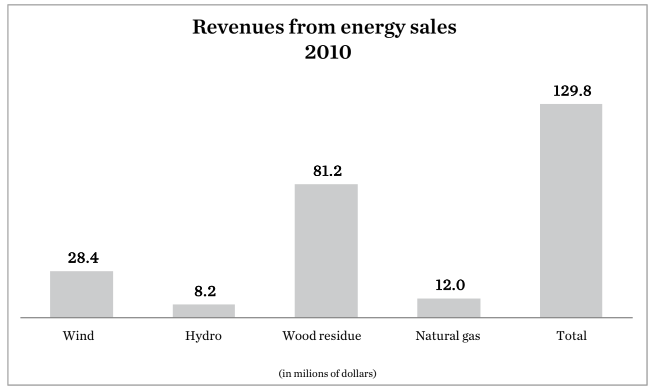
For the first nine months of fiscal 2011, Boralex recorded a loss before income taxes and non-controlling interests of $10.2 million compared with earnings before income taxes and non-controlling interests of $26.6 million in 2010. Boralex reported a $4.2 million income tax recovery compared with $8.2 million in 2010. Accordingly, for the nine-month period, Boralex reported a net loss of $5.3 million or $0.14 per share (basic and diluted) attributable to shareholders of Boralex compared with net earnings of $32.0 million or $0.85 per share basic ($0.84 per share diluted) attributable to shareholders of Boralex during the same period of fiscal 2010.

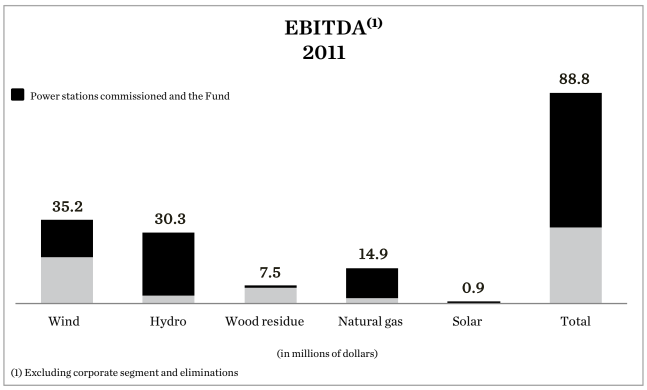
To sum up, **the results of the first nine months of fiscal 2011 show the impact of Boralex's expansion strategy and its potential to create value for shareholders. The acquisition of the Fund, combined with investments to expand the wind power segment and more recently, Boralex's entry into the solar power market have contributed to grow corporate revenues and EBITDA margin significantly while bolstering the Corporation's potential for future profitability. These development strategies have partly offset the impact of difficult market conditions for U.S. wood-residue power stations on the Corporation's results in 2011 and should drive greater profitability in future quarters.**

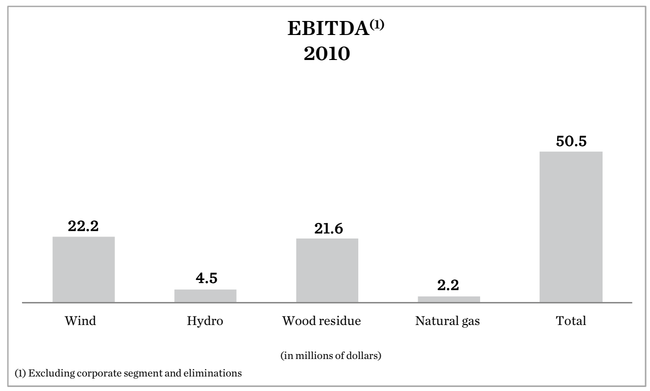
ANALYSIS OF SEGMENTED RESULTS

GEOGRAPHIC AND SEGMENT BREAKDOWN FOR THE FIRST NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2011 AND 2010









Over the last few quarters, two main developments considerably altered Boralex's energy portfolio and, accordingly, its geographic and segment positioning:

- As of December 2009, more rapid expansion in wind power, including the commissioning of Boralex's first wind power assets in Canada that currently represent installed capacity of 90 MW, and the signature of a strategic partnership in Europe followed in fiscal 2010 by the commissioning of new wind power sites in France totalling 53.5 MW; and
- The acquisition of all the trust units of the Fund not already held by Boralex, adding to Boralex's energy portfolio power stations that all have long-term power sales contracts and a total installed capacity of 190 MW, more than half of which is in the hydroelectric power segment.

Geographically, these two developments have more broadly diversified the breakdown of Boralex's installed capacity and results among Canada, the U.S. and Europe. For example, prior to the commissioning of Phase I of the Thames River wind power station in Ontario at the beginning of December 2009, scarcely 5% of the Corporation's installed capacity was located in Canada compared with 62% in the United States and 33% in Europe. The subsequent commissioning of both phases of the Thames River wind power station and integration of the Fund's power stations bring the current share of the Canadian assets in Boralex's energy portfolio to 34% compared with 41% for the United States and 25% for Europe. Accordingly, Boralex now enjoys greater geographic balance in its revenue streams as well as reduced vulnerability to currency fluctuations.

From a segment perspective, the main effect of these developments has been to increase the relative weight of wind and hydroelectric power in the Corporation's energy portfolio. The combined share of the segments has risen from about 40% at the beginning of December 2009 to 55% today. Given that both segments generate profit margins that are higher than the average for Boralex's assets, the change has had a beneficial effect on the Corporation's profitability and, consequently, on its cash flows from operations.

Overall, the expansion of the wind power segment since December 2009 and the acquisition of the Fund and, more recently the commissioning of the Corporation's first solar power station, have together added an aggregate 339 MW to Boralex's installed capacity, or more than 90%. The share of production covered by long-term power sales contracts has advanced to 73% from 48%.

BREAKDOWN OF RESULTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2011

During the first nine months of fiscal 2011, the geographic breakdown of Boralex's revenues from energy sales was as follows:

- 41% in Canada compared with 10% for the same period in 2010;
- 39% from the United States compared with 66% in 2010; and
- 20% from Europe compared with 24% the previous year.

Beyond the growth of the relative weight of the Canadian assets in Boralex's energy portfolio as described previously, these variations are due to the decline in revenues of the Corporation's U.S. wood-residue power stations since the beginning of fiscal 2011, and the depreciation of the U.S. currency against the Canadian dollar. Changes in the segment breakdown of quarterly results have trended as follows:

Wind — While year-to-date revenues for the segment grew 57.7% over the first nine months of 2010 driven by the commissioning of the new power stations, its share of consolidated revenues remained relatively stable at 24%, compared with 22% for the same period of 2010. This is due to the fact that integration of the Fund's operations increased the relative weight of the other segments, particularly hydroelectric and natural gas thermal power. For the same reason, despite an increase of 58.6% in wind power segment EBITDA, its share of consolidated EBITDA (before corporate and eliminations) declined to 39.6% in the first nine months of 2011 from 44% in the same period in 2010. Note, however, that the wind power segment remains Boralex's greatest source of EBITDA and generated the highest EBITDA profit margin of about 78.6% in the first nine months of 2011(78.2% in 2010), compared with an overall margin of 47.7% for all power stations in the first nine months of 2011 (38.9% in 2010). Given the 400 MW of wind power projects under development, the segment's contribution to Boralex's operating profitability is expected to strengthen over the next few years.

Hydroelectric — The contribution of the hydroelectric power segment to Boralex's consolidated revenues rose to 22% from 6% between the nine-month periods ended September 30, 2010 and 2011 as segment revenues expanded more than fivefold mainly following integration of the Fund's seven hydroelectric power stations. Furthermore, the addition of the Fund's power stations, which all have long-term power sales contracts, increased segment EBITDA sixfold. Its share of consolidated EBITDA rose to 34% in the first nine months of 2011 from 9% for the same period in 2010, while its EBITDA margin as a percentage of revenues advanced to 74.9% from 54.9% between these same periods.

Wood-residue — The wood-residue segment generated 34% of Boralex's consolidated revenues and 8.4% of consolidated EBITDA for the nine-month period ended September 30, 2011 compared with 63% and 43%, respectively, for the same period of 2010, due primarily to the earnings decrease at Boralex's U.S. wood-residue power stations and the decline in the segment's relative weight in favour of the hydroelectric segment, among others.

Natural gas — Integration of the Kingsey Falls power station in Québec had a significant positive impact on the segment, tripling its revenues and increasing EBITDA nearly sevenfold. As a result, the segment's contribution to consolidated revenues was 19% in 2011, compared with 9% in 2010, while its contribution to Boralex's EBITDA rose to 16.8% from 4%. The segment's EBITDA margin advanced to 41.3% in fiscal 2011 from 18.3% in 2010.

Solar — The commissioning of the Corporation's first solar power station on June 17, 2011 had little impact on consolidated results for the nine-month period ended September 30, 2011 as this facility accounts for less than 1.0% of the Corporation's total installed capacity. However, within a period under 15 weeks, this new power station generated EBITDA of $0.9 million and an EBITDA margin of 90.0% as a percentage of revenues

WIND POWER STATIONS

The following table shows major changes in revenues from energy sales and EBITDA:

	Three-month periods ended		Nine-month periods ended	
(in millions of Canadian dollars)	*Revenues from energy sales*	*EBITDA*	*Revenues from energy sales*	*EBITDA*
SEPTEMBER 30, 2010	**7.8**	**5.6**	**28.4**	**22.2**
Power stations commissioned	3.8	3.0	18.6	15.5
Pricing	(0.4)	(0.4)	(1.1)	(1.1)
Volume	0.1	0.1	(1.1)	(1.1)
Translation of self-sustaining subsidiaries (exchange rate effect)	0.2	0.1	0.1	-
Other	(0.2)	(0.2)	(0.1)	(0.3)
SEPTEMBER 30, 2011	**11.3**	**8.2**	**44.8**	**35.2**

OPERATING RESULTS FOR THE THREE-MONTH PERIOD

As in the previous quarters, the results for the three-month period ended September 30, 2011 reflected the significant contribution of the new power stations that had not yet been commissioned in the same period of 2010, as well as a slight decline in results at existing power stations, mainly in France.

In the third quarter of fiscal 2011, segment electricity production totalled 94,840 MWh compared with 66,722 MWh for the same period of 2010. This 42.1% increase resulted from new sites commissioned during the fourth quarter of 2010, including Thames River (phase II – 50 MW) in Ontario, as well French sites Ronchois (phase II – 12 MW), Le Grand Camp (10 MW) and Chasse-Marée (9 MW), which generated a total of 30,376 MWh. Electricity production at existing power stations increased slightly, adding 2%.

Revenues were up $3.5 million or 44.9% to $11.3 million owing to $3.8 million in additional revenues from the aforementioned new power stations. Excluding newly commissioned facilities, segment revenues were down $0.3 million or 3.8% primarily as a result of a $0.4 million adverse price effect related to French wind farms Plouguin and Cham Longe. As discussed in the second quarter MD&A, this price drop resulted from contractual agreements with EDF that provide for a downward adjustment of the selling price per MWh after five or ten years from the contract effective date if the production volume for the previous five or ten years exceeded the set level. Rather than being a negative factor, such a downward adjustment of the selling price indicates that the power stations affected performed better than forecast after commissioning, thereby contributing to overall profitability in excess of Boralex management's expectations. In Canada, the wind farms recorded a slight increase in the average selling price.

The same above-mentioned factors also boosted quarterly EBITDA in the wind power segment, which was up $2.6 million or 46.4% to $8.2 million. The $3.0 million contribution to segment EBITDA by the new power stations readily offset the lower EBITDA from existing facilities resulting from an adverse price effect and increases in certain taxes and maintenance expenses in France.

OPERATING RESULTS FOR THE NINE-MONTH PERIOD

During the first nine months of fiscal 2011, Boralex's wind power segment produced 371,771 MWh of electricity, and generated $44.8 million in revenues and $34.9 million in EBITDA, representing year-over-year increases of 58.9%, 57.7% and 57.2%, respectively. The margin of EBITDA to revenues held steady at 78.6% compared with the 2010 period. These results primarily reflect the commissioning of new power stations in fiscal 2010, which produced 149,897 MWh of electricity. They also generated $18.6 million in additional revenues and contributed $15.5 million to segment EBITDA.

Excluding newly commissioned facilities, existing wind farms posted a 3.4% decline in production, while their revenues and EBITDA pulled back 7.7% and 11.3%, respectively, due to the following:

- A $1.1 million adverse volume effect on revenues and EBITDA owing primarily to less favourable water flow conditions in France in the first half of fiscal 2011;
- A $1.1 million adverse price effect due in large part to the previously mentioned contractual agreements in force in France and the reduction in the consumer price index to which our electricity selling prices in France are indexed; and
- An increase in certain expenses, mainly in France.

Note, however, that the phase I Thames River sites in Canada stepped up their contribution to segment results, posting growth in production, revenues and EBITDA of 4.4%, 8.1% and 7.6%, respectively. This performance resulted primarily from the fact that the sites, commissioned in December 2009 and January 2010, were in a fine-tuning period in the first quarter of 2010, whereas they have been fully operational year to date. In addition to a higher utilization factor, all of the equipment qualified for the full Advanced RESOP rate over the entire nine-month period of 2011.

DEVELOPMENT PROJECTS AND RECENT EVENTS

Canada — As of the date of this MD&A, Boralex and its partners held long-term power sales contracts for wind power projects totalling 391 MW, slated for commissioning from December 2013 to December 2015.

In 2011, Boralex, in partnership with an entity formed and indirectly controlled by Gaz Métro Limited Partnership, set up a joint venture 50% owned by Boralex, *Seigneurie de Beaupré Wind Farms 2 and 3, G.P.* (the "Joint Venture") to continue construction work and, eventually, operate wind farms 2 and 3 at the Seigneurie de Beaupré site in Québec. Together, these facilities have an installed capacity of 272 MW and will be commissioned in December 2013. Construction work is underway for these wind farms. Construction under these projects represents an investment of over $750 million, for which the financing was completed November 8, 2011 as described in *Commitments*.

Subsequent to the creation of the Joint Venture, development costs from wind power projects at Seigneurie de Beaupré 2 and 3 are no longer included in *Development projects* in Boralex's balance sheet, but are accounted for in the investment account *Interest in a joint venture*.

In addition, the partners are in the process of defining the parameters for another 69 MW wind farm at Seigneurie de Beaupré (farm 4) slated for commissioning in December 2014. Apart from the site's significant advantages regarding wind and environmental conditions and existing infrastructure, the future farm will enjoy a performance boost from logistical synergies to be achieved during its construction and subsequent operation.

In June 2011, two community wind farm projects developed jointly by Boralex and the Québec RCMs of Témiscouata and La Côte-de-Beaupré have 20-year power sales contracts with Hydro-Québec Distribution. These wind farms, with a capacity of 25 MW each, are to be commissioned late in 2014 and in 2015, respectively. One of the two 25 MW projects, the wind farm in La Côte-de-Beaupré, will be built on the Seigneurie de Beaupré property. As a result, within a few years, the Seigneurie de Beaupré wind farms will have contracted installed wind power capacity of 366 MW owned by Boralex and its partners.

In April and July 2011, the Corporation entered into interest rate swap transactions to set a significant portion of the expected financing rate for its Seigneurie de Beaupré wind power project. The transactions have a total nominal amount of $240 million and the rates are approximately 4.48%. The average rate represents the basic rate of the financing program (the "Program") expected by management and not the total financing cost, which includes a margin negotiated with the final lenders. Although the Program has not been finalized as at the date of these transactions, the Corporation considers it highly likely that the financing will be arranged within a reasonable time period. As the final lenders will require Boralex to enter into further swaps with their institution, the initial transactions will likely be settled in cash when the Program is finalized. Any prior accumulated gains or losses will be maintained in *Accumulated other comprehensive income (loss)* and recognized in the statement of earnings (loss) using the effective interest method of amortization. As at September 30, 2011, the fair value of these swaps was unfavourable by $29.6 million.

Europe — Boralex is working on various wind farm acquisition and development projects. In light of uncertainty as to pricing and economic conditions in Italy, Boralex is currently assessing the next steps to take with its 20 MW project.

OUTLOOK

At the outset of the fourth quarter of fiscal 2010, Boralex's wind power segment had an installed and operating capacity of 170 MW, consisting of 130 MW in Europe and 40 MW in Canada. One year later, Boralex began the fourth quarter of the current fiscal year with 48% more installed capacity, now totalling 251 MW, comprising 161 MW in Europe and 90 MW in Canada. This substantial expansion of the wind power segment's operational base will have a significant impact on results for the remainder of fiscal 2011 owing particularly to:

– The contribution of the 50 MW Phase II of the Thames River site for the remainder of the year versus a few weeks in 2010; and
– The full contribution of the new Ronchois (phase II), Le Grand Camp and Chasse-Marée sites in France, totalling 31 MW, commissioned and fine-tuned in the fourth quarter of 2010.

All of Boralex's wind power assets, in both Europe and Canada, have long-term power sales contracts and enjoy favourable rates.

In North America, over the next three fiscal years, the Corporation will focus on completing its five projects in Québec totalling 391 MW that include 366 MW at the Seigneurie de Beaupré site, while actively seeking opportunities to acquire additional projects in various stages of development. In Europe, Boralex intends to fully capitalize on its agreement with Cube and, in the next two years, act on opportunities to integrate wind power assets that are operational or under development and have an additional installed capacity of about 50 MW.

In Boralex management's opinion, the medium- and long-term outlooks for the wind power segment are highly favourable, due to:

– The scale and quality of its projects with long-term sales contracts currently under development in Canada;
– Solid alliances it has entered into in Europe and North America to accelerate its development; and
– The strength of its growing reputation on world financial markets as a credible developer and operator of increasingly large-scale wind power facilities.

HYDROELECTRIC POWER STATIONS

The following table shows major changes in revenues from energy sales and EBITDA:

	Three-month periods ended		Nine-month periods ended	
(in millions of Canadian dollars)	*Revenues from energy sales*	*EBITDA*	*Revenues from energy sales*	*EBITDA*
SEPTEMBER 30, 2010	**2.8**	**1.5**	**8.2**	**4.5**
Impact of consolidated operations of the Fund	8.0	6.0	31.4	24.8
Data pertaining to other operations of Boralex:				
Pricing	(0.1)	(0.1)	0.1	0.1
Volume	1.1	1.1	1.2	1.2
Translation of self-sustaining subsidiaries (exchange rate effect)	(0.1)	-	(0.3)	(0.1)
Other	(0.1)	-	(0.3)	(0.3)
SEPTEMBER 30, 2011	**11.6**	**8.5**	**40.3**	**30.2**

The following table shows recent and historic statistical data concerning hydroelectric segment production:

HYDROELECTRIC PRODUCTION (MWh)[1]	**2011**	2010
Three-month periods ended September 30	**148,596**	33,300
Historical average – three-month periods[2]	**117,963**	119,222
Nine-month periods ended September 30	**507,091**	107,910
Historical average – nine-month periods[2]	**464,330**	467,724
Historical average – twelve-month periods[2]	**626,740**	627,046

[1] The historical average is calculated using all production available for each power station up to the end of Boralex's previous fiscal year. The significant difference for the three- and nine-month periods ended September 30 resulted from the addition of 96.5 MW on acquisition of the Fund.

[2] Historical averages include all of Boralex's existing power stations.

OPERATING RESULTS FOR THE THREE-MONTH PERIOD

Boralex's hydroelectric segment posted strong growth for the third quarter of 2011 compared with the same period of 2010, owing to the consolidation of the results of the Fund's power stations for the entire period rather than for two weeks only in 2010, coupled with favourable water flow conditions for all of the power stations in Canada and the United States.

The segment delivered 148,596 MWh compared with 33,300 MWh in the same quarter of 2010. This 346.2% increase resulted primarily from the additional contribution of 106,619 MWh from the power stations acquired from the Fund, as well as a 45.0% increase in production at Boralex's existing power stations. In addition, for the entire quarter, favourable water flow conditions resulted in an increase of nearly 50% in production at the power stations acquired from the Fund compared with the same period last year. Including the Fund's power stations, as shown in the preceding table, total segment production for the third quarter of fiscal 2011 outpaced historical averages by 26.0%.

Quarterly revenues for the segment rose over fourfold, totalling $11.6 million, while EBITDA was up 5.7 times to $8.5 million. This lifted EBITDA margin as a percentage of revenues to 73.3% for the third quarter of 2011 from 53.6% for the same period of 2010. The full consolidation of the Fund's power stations contributed additional revenues and EBITDA of $8.0 million and $6.0 million, respectively. Excluding this factor, the segment reported organic growth in revenues and EBITDA of 28.6% and 66.7%, respectively. This progress was driven mainly by higher production volumes, which readily offset certain unfavourable items of lesser significance, such as a slight decline in the average selling price and fluctuations in the exchange rate between the Canadian and U.S. dollars.

OPERATING RESULTS FOR THE NINE-MONTH PERIOD

The first nine months of 2011 clearly highlight one of the key advantages for Boralex of acquiring the Fund: quality hydroelectric assets that all have long-term power sales contracts and generate superior profit margins. We recall that the addition of the Fund's seven hydroelectric power stations more than tripled Boralex's hydroelectric installed capacity.

For the first nine months of fiscal 2011, the segment produced 507,091 MWh of electricity, surging 369.7% from the same period of 2010. This growth resulted from the additional contribution of 383,661 MWh from the Fund's power stations, coupled with the 16.5% increase in production at Boralex's existing power stations. Including the Fund's power stations, as shown in the preceding table, year-to-date segment production outperformed historical averages by 9.2%.

Segment EBITDA stood at $30.2 million, compared with $4.5 million year over year, on revenues totalling $40.3 million compared with $8.2 million for the first nine-months of 2010. These increases represented growth multiples of 6.7 and 4.9, respectively. The full consolidation of the results of the Fund's power stations drove nearly all of this performance, although revenues and EBITDA would have reflected organic growth rates of 8.5% and 20.0%, respectively, owing primarily to high production volumes at all Boralex power stations, and to a lesser extent, to the slight increase in the average selling price.

RECENT EVENTS

In February 2011, Boralex and Hydro-Québec renewed the power sales contract for the 2 MW installed capacity at the East Angus power station in Québec for an additional 20-year period. The previous contract for this power station was entered into in 1991 under Hydro-Québec's limited request for proposals (known by the French acronym "APR") and was due to expire at the end of 2010. This is Boralex's first long-term contract to be renegotiated and renewed with Hydro-Québec.

OUTLOOK

With the acquisition of the Fund, hydroelectric segment installed capacity rose from 39.5 MW (of which 27 MW is currently in production) to 136 MW, while the portion of Boralex's installed capacity under long-term power sales contracts rose to 85% (representing 115.5 MW) from 48% (19 MW). Year-to-date results show the considerable impact of Boralex's hydroelectric portfolio transformation on segment results. Boralex began fiscal 2011 with a larger, more profitable hydroelectric power base that has greater geographic diversification, generating higher profit margins and more stable and predictable cash flows. Also, since acquiring the Fund, EBITDA margins in the hydroelectric segment are now in line with those in the wind power segment. The new profile will reduce the exposure of segment performance to economic factors, particularly to volatility in open market selling prices in the U.S. largely tied to the price of natural gas, as well as to fluctuations in the exchange rate between the Canadian and U.S. dollars.

Given the quality of the assets and the ongoing maintenance program at all power stations currently comprising Boralex's hydroelectric power segment, there is no indication that they will not continue producing at historical averages. In addition, Québec power stations will continue to benefit from contractual indexation under their energy sales contracts and from capacity premiums.

The Corporation's management is continuing to review options to expand the Buckingham power station. In all cases, management expects investments of $14 million to be required over the next few fiscal years for the power station to comply with the *Dam Safety Act,* the timeline of which has not been confirmed at this time. Boralex is seeking medium- and long-term opportunities to grow its hydroelectric segment, particularly in Québec and British Columbia.

WOOD-RESIDUE THERMAL POWER STATIONS

The following table shows major changes in revenues from energy sales and EBITDA:

	Three-month periods ended		Nine-month periods ended	
(in millions of Canadian dollars)	*Revenues from energy sales*	*EBITDA*	*Revenues from energy sales*	*EBITDA*
SEPTEMBER 30, 2010	**28.1**	**7.1**	**81.2**	**21.6**
Impact of consolidated operations of the Fund	2.6	(0.7)	14.8	1.4
Data pertaining to other operations of Boralex:				
Shutdown of Ashland power station	(6.2)	(1.8)	(14.7)	(5.4)
Pricing	(0.8)	(0.8)	1.0	1.0
Volume	(1.8)	(0.5)	(5.7)	(1.0)
RECs (operational power stations)	(3.4)	(3.4)	(8.8)	(8.8)
Translation of self-sustaining subsidiaries (exchange rate effect)	(1.3)	(0.4)	(3.8)	(1.0)
Capacity premiums	(0.2)	(0.2)	(0.2)	(0.2)
Raw material costs	-	(0.4)	-	(1.8)
Maintenance	-	(0.1)	-	0.7
Other	-	0.6	-	1.0
SEPTEMBER 30, 2011	**17.0**	**(0.6)**	**63.8**	**7.5**

OPERATING RESULTS FOR THE THREE-MONTH PERIOD

For the third quarter of 2011, Boralex's wood-residue segment continued to weather difficult business conditions in the U.S., given the current slump in REC and electricity free market selling prices, which notably prompted management to scale back production and shut down the Ashland power station. In Canada, as previously discussed, the Dolbeau power station was closed permanently.

As a result, the wood-residue segment produced 287,369 MWh of electricity in the third quarter of 2011, down 15.5% from its year-over-year output of 339,903 MWh. Excluding the contribution of the Senneterre power station acquired from the Fund for the entire period (compared with two weeks for the third quarter of 2010), production at Boralex's existing power stations—all located in the U.S.—declined 29.4%. Nearly two-thirds of the drop resulted from shutting down the Ashland power station, which management does not expect to restart in the near term in light of current market conditions. In addition, the other U.S. power stations voluntarily scaled back production as a result of slumping selling prices and to conduct preventive maintenance.

For the three-month period ended September 30, 2011, the wood-residue segment reported revenues totalling $17.0 million, down $11.1 million or 39.5% from $28.1 million for the same period a year ago. The segment reported a negative EBITDA of $0.6 million, an adverse difference of $7.7 million from a positive EBITDA of $7.1 million for the same quarter of 2010.

The full contribution of the Senneterre power station generated additional revenues and EBITDA of $2.6 million and $0.1 million, respectively. However, factoring in the shutdown at the Dolbeau power station increased the segment EBITDA loss by $0.8 million. Excluding the power stations acquired from the fund, revenues at existing power stations fell $13.7 million or 48.8%, while EBITDA dipped $7.0 million. These declines resulted primarily from the following:

- Shortfalls of $8.2 million and $2.5 million in revenues and EBITDA, respectively, due to lower production, if the shutdown of the Ashland power station is taken into account, the slower pace of production at the other power stations and lower capacity premiums;
- A $3.4 million decrease in REC sales at operational power stations, which also impacted revenues and EBITDA directly. Management still expects demand and prices to recover in this market in 2012, prompting it to defer sales of RECs currently on hand;
- Adverse impacts on revenues and EBITDA of $1.3 million and $0.4 million, respectively, resulting from the U.S. dollar's decline against Canada's currency; and
- A $0.8 million adverse effect on both revenues and EBITDA arising from a slight reduction in market prices and less substantial benefits than in 2010 under Boralex's hedging programs.

Quarterly EBITDA was also slightly affected be an combined increase of $0.5 million in raw material and maintenance costs. However, these items were offset by various favourable factors, consisting primarily of a $0.6 million retroactive adjustment to property taxes at a U.S. power station.

OPERATING RESULTS FOR THE NINE-MONTH PERIOD

For the first nine months of fiscal 2011, the wood-residue segment produced 837,822 MWh of electricity, down 9.5% from 925,429 MWh for the same period of 2010. The additional contribution from the Dolbeau and Senneterre power stations throughout the period, compared with two weeks in 2010, amounted to 180,827 MWh, whereas production at existing power stations dropped 268,434 MWh or 29.3%. Over half of this reduction resulted from shutting down the Ashland power station.

Year-to-date segment revenues totalled $63.8 million, down 21.4% from $81.2 million for the first nine-months of 2010. The full consolidation of the Fund's two power stations contributed an additional $14.8 million in revenues. Excluding this amount, the U.S. power stations reported a decrease in revenues of $32.2 million or 39.7%. Year-to-date EBITDA amounted to $7.5 million compared with $21.6 million for the corresponding period of 2010. The consolidation of the results of the Fund's power stations contributed an additional $1.1 million to EBITDA, net of a $0.3 million unfavourable change in maintenance and certain other costs incurred by these power stations during the last two weeks of the comparative periods. EBITDA at the U.S. power stations was down $15.2 million.

Lower revenues and EBITDA at Boralex's existing power stations resulted from the same key factors as those indicated in the discussion of third quarter results:

– Shortfalls of $20.6 million and $6.6 million in revenues and EBITDA, respectively, due to the shutdown of the Ashland power station, the slower pace of production at the other power stations and lower capacity premiums;
– An $8.8 million shortfall in both revenues and EBITDA caused by lower REC sales at operational power stations;
– Adverse impacts on revenues and EBITDA of $3.8 million and $1.0 million, respectively, of the U.S. dollar's weakening against its Canadian counterpart; and
– A $1.8 million adverse effect on EBITDA of higher raw material costs, resulting in part from higher fuel prices but particularly from the discontinuation for U.S. power stations of benefits under the BCAP program (December 2009–April 2010), enjoyed in the first quarter of 2010. Given the current push to cut the deficit in the U.S., Boralex's management considers the potential application and benefits for Boralex of the U.S. Department of Agriculture's October 2010 BCAP attribution rules to be increasingly uncertain.

However, the above factors were partially offset by the $1.0 million favourable impact on revenues and EBITDA of a slight increase in the average selling price (in US$) at Boralex's U.S. power stations owing mainly to higher average selling prices in the Northeastern U.S. open market for the entire period. Note however, that it is difficult at this point to predict medium-term electricity price trends given the volatility of natural gas prices with which electricity prices are correlated.

Year-to-date segment EBITDA was bolstered by other favourable items totalling $1.7 million, including a $0.7 million reduction in maintenance costs stemming partly from lower production and partly from progress in developing in-house maintenance expertise.

RECENT EVENTS AND OUTLOOK

Canada — To offset difficult conditions in the Québec forestry industry since 2006 jeopardizing the stability of forest residue supplies for wood-residue power stations, the Senneterre power station recently completed an investment program to install a system to recover and clean old bark piles and optimize their heating value while minimizing equipment damage. The power station has therefore secured sufficient raw material to ensure stable operations in 2011 and 2012 while reducing costs. The positive impacts of this investment will be felt in the coming years.

However, in light of major supply problems at the Dolbeau power station, which no longer sells steam since the 2010 closure of the pulp mill it previously served, Boralex's management decided to permanently cease electricity production at this power station.

Generally, the key benefits of adding the Senneterre, Canada power station with an installed capacity of 35 MW to Boralex's six U.S. power stations with an installed capacity of 204 MW consisted of raising the segment's contracted portion of installed capacity from 18% to 37% and mitigating the exposure of results to foreign exchange rate fluctuations. Boralex expects the Senneterre power station to maintain or even improve its performance over the next few quarters.

United States — Boralex's management remains cautious as to the short-term outlook for the U.S. power stations. Although electricity selling prices have been on the rise in the Northeastern U.S. open market for the past few months since the outset of 2011, continued weakness in the U.S. economy remains worrisome. Moreover, natural gas prices are still low compared with recent years, resulting in continued downward pressure on electricity prices, with which they are closely correlated. During the third quarter of 2011, the Corporation entered into electricity price financial swaps to hedge against market price fluctuations for its U.S. wood-residue power stations until April 30, 2012 at an average price of $50.61. As at September 30, 2011, the Corporation had two electricity price financial swaps for total deliveries of 175,440 MWh. As at September 30, 2011, the fair value of these swaps was unfavourable by $0.2 million. In addition, the Corporation will continue adjusting output at its wood-residue power stations to meet market conditions, thereby providing greater flexibility in managing costs. The US dollar's recent strengthening against its Canadian counterpart, if it persists, should diminish the pressure on the results of U.S. power stations translated into Canadian dollars.

Boralex's management expects REC prices to improve over the coming quarters. For this reason, as at the date of this MD&A, Boralex had very few firm sales commitments for REC deliveries through December 31, 2012. The Corporation prefers to defer sales while awaiting the anticipated recovery in selling prices. Boralex's management continues to believe that the REC market will provide an attractive source of recurring revenues and profits for its wood-residue segment in the coming years since legislation forecasts annual increases in demand and supply is not currently keeping up the pace.

Building on work done in recent years, Boralex's U.S. wood-residue segment will generally continue its efforts to optimize performance at its power stations, reduce business risks, lower costs, develop sources of recurring revenues, ensure stable wood-residue supplies, and position itself proactively to capitalize on U.S. renewable energy production legislation.

NATURAL GAS COGENERATION POWER STATION

The following table shows major changes in revenues from energy sales and EBITDA:

	Three-month periods ended		Nine-month periods ended	
(in millions of Canadian dollars)	*Revenues from energy sales*	*EBITDA*	*Revenues from energy sales*	*EBITDA*
SEPTEMBER 30, 2010	**3.4**	**0.3**	**12.0**	**2.2**
Impact of consolidated operations of the Fund	5.3	2.6	22.9	11.9
Data pertaining to other operations of Boralex:				
Pricing	0.6	0.6	1.7	1.7
Volume	(0.1)	-	(0.3)	0.1
CO_2 quota	-	-	-	(0.2)
Translation of self-sustaining subsidiaries (exchange rate effect)	0.1	-	(0.2)	(0.1)
Natural gas costs	-	0.2	-	(0.1)
Other	-	-	-	(0.6)
SEPTEMBER 30, 2011	**9.3**	**3.7**	**36.1**	**14.9**

OPERATING RESULTS FOR THE THREE-MONTH PERIOD

The addition of the Kingsey Falls cogeneration power station in Québec, acquired from the Fund, had a significant impact on segment performance for the three- and nine-month periods ended September 30, 2011. During the third quarter, only this power station produced electricity given that, owing to the prevailing special conditions in the French market for the past few years, Boralex's cogeneration power station in Blendecques, France has operated its cogeneration equipment for the winter period only, from November 1 to March 31. During the downtime, the facility continues to serve its industrial steam clients using an auxiliary boiler.

As a result, segment electricity production for the third quarter of 2011 totalled 39,397 MWh compared with 7,953 MWh year over year, which resulted from the inclusion of the Kingsey Fall power station for the full three-month period ended September 30, 2011 compared with two weeks in the 2010 period. Together, the two power stations produced 315,451 thousand pounds of steam compared with 159,925 for the same quarter of 2010, owing primarily to the full contribution of the Kingsey Falls power station, as well as to a slight rise in production at the French power station.

Segment revenues for the quarter amounted to $9.3 million compared with $3.4 million for the same quarter last year. This 173.5% surge was driven in large part by the full contribution of the Kingsey Falls power station, which contributed an additional $5.3 million in net revenues compared with the two weeks of the same period in 2010. Note that production at this facility was slightly lower than in the year-over-year period, which was offset by a higher average selling price. Furthermore, the Blendecques power station posted revenue growth of $0.6 million or 24.3%, fuelled by the combined effect of higher steam production, an increase of approximately 20% in steam prices and the strengthening of the euro against the Canadian dollar.

Segment EBITDA for the third quarter of 2011 amounted to $3.7 million compared with $0.3 million for the same period of 2010, with this performance attributed to the following:

- An additional contribution of $2.7 million from the full consolidation of the Canadian power station's results, coupled with a $0.1 million improvement in EBITDA for the two last weeks of the comparative periods; and
- A $0.7 million increase in EBITDA at the French power station caused by higher steam prices and lower fuel costs for natural gas.

For the third quarter as a whole, the Kingsey Falls power station notably benefited from a significant drop in fuel costs, owing in large part to the financial swap implemented in 2010. We recall that the Corporation undertook last year to implement two financial instruments ("swaps") to further stabilize results over the following 18 months. One swap serves to fix the price of natural gas as of November 2011 through to the end of fiscal 2012, and the other as of December 2010 to fix the price of steam for 50% of forecast deliveries. This instrument was one of the factors behind year-over-year EBITDA growth of 17% for the three-month period ended September 30, 2011, despite decreases in electricity and steam production volumes.

OPERATING RESULTS FOR THE NINE-MONTH PERIOD

The segment's year-to-date electricity production is up over fivefold to 167,024 MWh from 30,460 MWh for the first nine months of 2010, owing primarily to the full contribution of the Kingsey Falls power station. Electricity production at Blendecques eased slightly from January 1 to March 31, 2011. Steam production was up 130.5% to 1,012,745 thousand pounds, due to adding the Canadian facility.

The segment's year-to-date revenues and EBITDA totalled $36.1 million and $14.9 million, respectively, increasing 200.8% and 577.3% from the corresponding period of 2010, while the margin of EBITDA as a percentage of revenues rose to 41.3% from 18.3%. This strong performance arose from the acquisition of the Kingsey Falls power station and the increase in average selling prices. In total, the Canadian power station contributed additional revenues and EBITDA of $22.9 million and $11.9 million, respectively. Year-to-date revenues and EBITDA at this power station were up 11% and 32%, respectively, despite flat production levels. In France, the Blendecques power station posted revenue and EBITDA growth of 10.8% and nearly 40%, respectively.

OUTLOOK

The results for the three- and nine-month periods ended September 30, 2011 clearly show that the combination of its 31 MW Canadian natural gas power station with Boralex's 14 MW French power stations has fuelled significant revenue and profit margin growth in the segment since the Fund was acquired. Note however that the Kingsey Falls power station's sales contract expires in November 2012, with the contract for the French facility terminating at the end of 2013.

French power station — Since 2005, due to market conditions, the power station has operated its cogeneration equipment for the five-month winter period only, that is, from November 1 to March 31. The Blendecques natural gas power station is nonetheless a stable source of profits and cash flows for Boralex. One reason is that fluctuations in its selling prices are generally offset by opposite fluctuations in raw material costs. Regarding the sale of CO_2 quota, management expects the French government to soon amend the rules governing the limits for CO_2 emission volumes for companies. Pending these amendments, the French power station prefers to keep its excess quotas. The facility's power sales contract is set to expire in December 2013. Management is assessing the various scenarios available to this power station.

Canadian power station –The facility's power sales contract with Hydro-Québec is set to expire in November 2012. It is currently difficult to determine the likelihood of contract renewal or the terms and conditions potentially on offer. When the time is right, management will evaluate the options available to this power station, based on the needs expressed by Hydro-Québec. By the end of fiscal 2011 and during fiscal 2012, at a minimum, Boralex will benefit from the significant and steady contribution of this production unit.

Moreover, the Kingsey Falls power station's steam sales contract is also set to expire in 2012 and will have to be renegotiated, if necessary. Upon entering into the contract, the client chose an indexing method partially based on the price of certain oil products. Given the significant volatility in oil prices over the past few years, the price of steam has fluctuated significantly. Boralex recently entered into a swap to partly fix the price of steam sold for the next two years.

This power station had entered into a long-term supply agreement in 1995 to cover 90% of its natural gas needs, when the price of natural gas was lower than it is today, which translates into significant cash flows. The supply agreement expires in 2012, but the fixed price is only in effect until November 2011. In July 2010, the Fund entered into a supply agreement for the period from November 2011 to November 2012 in order to fix the price of its natural gas purchases.

SOLAR POWER STATION
OPERATING RESULTS FOR THE THREE-MONTH PERIOD

	Three-month periods ended		Nine-month periods ended	
(in millions of Canadian dollars)	*Revenues from energy sales*	*EBITDA*	*Revenues from energy sales*	*EBITDA*
SEPTEMBER 30, 2010	-	-	-	-
Power station commissioned	0.9	0.8	1.0	0.9
SEPTEMBER 30, 2011	**0.9**	**0.8**	**1.0**	**0.9**

CREATION OF A NEW OPERATING SEGMENT

This new segment, which has become Boralex's fourth, was created subsequent to the June 17, 2011 commissioning of the Corporation's first solar power plant in France. Boralex's entry into this new market is the result of several years of strategic planning, technological assessments and prospection in Europe where geographic and political conditions are conducive to the development of this type of renewable energy.

Boralex's first solar power plant, with an installed capacity of 4.5 MW, was built on the same site as the Avignonet-Lauragais wind farm, in Southern France. As a result, its commissioning and optimization were facilitated by the operational synergies in terms of staffing and logistics.

The new infrastructure uses photovoltaic panel technology, and the electricity produced will be sold to EDF under a 20-year contract expiring in 2031. Under the agreement entered into with the solar panel supplier, which is a global leader in the industry, the supplier also assumes responsibility for maintaining the equipment for a five-year period to allow Boralex's staff to deepen its expertise.

OPERATING RESULTS FOR THE NINE-MONTH PERIOD

Year-to-date financial results for Boralex's solar power station exceeded management's expectations. From June 17 to September 30, 2011, the site produced 2,210 MWh of electricity and recorded revenues and EBITDA of $1.0 million and $0.9 million, representing a 90.0% margin as a percentage of revenues.

The particularly high EBITDA margin resulted in part from the segment's seasonal cycle during which the majority of profits is generated in the second and third quarters. However, management believes that the profitability recorded to date also reflects the intrinsic quality of this first solar project with regards to the choice of technology, location and contractual benefits, as well as the Boralex team's growing expertise.

OUTLOOK

On a full annual basis, Boralex expects its first solar power station to produce approximately an average 5,000 MWh of electricity for the first ten years, with an average EBITDA margin ranging from 85% to 90%.

Solar energy production as an industry is coming into its own and will be subject to market rules and government policy to be determined in the coming years. Boralex is convinced of the potential of this clean and abundant renewable energy source, particularly since technological breakthroughs are gradually bringing down the cost of equipment and enhancing performance. For the time being, Boralex is mainly targeting the European market, where this type of renewable energy production enjoys preferential sales rates and the Corporation has set up a skilled solar project development team. To date, projects totalling 40 MW have been targeted for future development, primarily in France.

ANALYSIS OF MAJOR CASH FLOWS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2011

OPERATING ACTIVITIES

Year to date, Boralex reported $42.7 million or $1.13 per share in cash flows from operations compared with $21.8 million or $0.58 per share for the first nine months of fiscal 2010. Excluding adjustments for non-cash items in the two comparative periods, consisting mainly of the share in loss of the Fund, amortization expenses, impairment of property, plant and equipment, as well as the gain on deemed disposal of the investment in the Fund, the increase in cash flows from operations resulted primarily from a decline in transaction costs arising from the acquisition of the Fund and growth in adjusted EBITDA stemming from wind power segment expansion and the addition of the Fund's power stations, less the distributions received from the Fund in 2010. These contributions readily offset the rise in payments of financing costs and taxes.

The change in non-cash working capital items generated additional cash inflows of $30.5 million ($3.0 million in 2010), owing in large part to the disposal of the shares of ABI during the first quarter of 2011. In addition, accounts receivable were down $26.6 million, which was partially offset by a $19.9 million decrease in accounts payable. The decline in accounts receivable resulted mainly from the slowdown in the wood-residue segment and the collection of VAT receivable as at December 31, 2010 on wind turbine purchase agreements for the wind farms built in 2010. The decline in accounts payable stemmed primarily from payments in the first quarter of 2011 to the suppliers who built the French wind farms in 2010.

As a result, year-to-date operating activities generated cash inflows totalling $73.2 million, nearly tripling the $24.8 million in cash inflows from operating activities reported for the first nine months of the previous year.

INVESTING ACTIVITIES

Year-to-date investing activities resulted in cash outflows totalling $24.5 million, net of the following cash inflows:

– A $14.6 million tranche from cash earmarked primarily for development of phase II at Thames River in Canada;
– A $2.1 million inflow representing receipt of a portion of the proceeds on disposal of the Merlin-Buxton wind power project in Ontario; and
– $1.4 million consisting mainly of repayments made by wood-residue suppliers in respect of crushing equipment financed by the Corporation and included under *Other*.

Investments for the first nine months of fiscal 2011 are detailed as follows:

– A total of $30.0 million for additions to property, plant and equipment, 80% of which is to complete wind power projects in France, commission phase II of Thames River, Ontario in January 2011, and build and commission the Corporation's first solar power station in France. The balance of investments for the period served to set up the new processing and handling system for wood residues from old bark piles at the Senneterre thermal power station in Québec and various upgrades to the Corporation's existing equipment;
– A $10.4 million increase in Boralex's investment in the Joint Venture which began with the construction of the roads and foundations for phase I of the Seigneurie de Beaupré project and a net total of $0.7 million earmarked for this development project for the first quarter of 2011;
– A net total of $0.5 million allocated to Boralex development projects, primarily for the wind power facilities at the Seigneurie de Beaupré site (wind farm 4) in Québec; and
– $0.7 million representing the contingent consideration for development rights of phase II of Thames River in Canada.

FINANCING ACTIVITIES

Year-to-date financing activities resulted in total net cash outflows of $9.9 million. The Corporation repaid a total of $42.6 million on its long-term debt, and bank loans and advances. Conversely, Boralex increased its long-term debt by an additional $33.2 million, of which $11.4 million (€8.2 million) was drawn down under the €15.6 million financing facility arranged in 2010 in connection with its solar power project in France, $10.8 million (€8.0 million) in drawdowns under the VAT tranche of the master financing agreement for the wind power projects in France and $11.0 million in respect of the Ocean Falls hydroelectric power station.

On March 31, 2011, the Corporation entered into an $11.0 million credit agreement relating to its Ocean Falls hydroelectric power station located in British Columbia, Canada, acquired in 2009. The proceeds of this 13-year term financing arrangement, secured by all the assets of Ocean Falls, without recourse to Boralex, were received during the second quarter. On April 1, 2011, the Corporation repaid the initial loan balance of $9.0 million as required under the terms of the agreement. Furthermore, Boralex allocated $0.4 million to repurchase 59,400 shares.

On December 31, 2010, the €265 million master financing agreement entered into in 2007 with BNP Paribas to finance wind power projects in France expired. The Corporation decided not to renew this facility in order to pursue other financing options. Under this master agreement, the Corporation owed $185.4 million (€132.7 million) as at September 30, 2011, repayable by 2022.

NET CHANGE IN CASH AND CASH EQUIVALENTS

Year-to-date fluctuations in Canada's currency relative to the euro and the US dollar resulted in a $1.6 million increase in cash and cash equivalents. Accordingly, total cash movements for the nine-month period ended September 30, 2011 resulted in total net cash inflows of $40.4 million. Cash and cash equivalents amounted to $133.1 million as at September 30, 2011 compared with $92.7 million as at December 31, 2010.

To sum up, **changes in cash flows for the first nine months of fiscal 2011 mainly reflect:**

- **The increase in the Corporation's cash flow financing capacity resulting from its acquisition of the Fund and expansion in the wind power segment;**
- **Responsible debt and capital structure management;**
- **Continuation of its development projects, including diversification into solar energy; and**
- **Ongoing initiatives to optimize its operational base.**

FINANCIAL POSITION AS AT SEPTEMBER 30, 2011

ASSETS

From $1,246.0 million as at December 31, 2010, Boralex's total assets have declined $21.9 million or 1.8% to $1,224.1 million as at September 30, 2011. This difference resulted from short-term assets, which decreased $22.0 million or 10.7% to $183 .2 million as at September 30, 2011, owing principally to a $26.6 million decline in accounts receivable arising mainly from the collection of VAT receivable as at December 31, 2010, as well as a to a $20.9 million reduction in an available-for-sale financial asset, more specifically the shares of ABI, which the Corporation divested in the first quarter. These two items were partially offset by a $25.8 million increase in total cash and cash equivalents and restricted cash.

Long-term assets, amounting to $1,040.9 million as at September 30, 2011, remained unchanged from their December 31, 2010 level, as the amortization expense of property, plant and equipment and power agreements was offset by additions to property, plant and equipment and investments in the Joint Venture.

WORKING CAPITAL

As at September 30, 2011, the Corporation's working capital amounted to $89.4 million with a ratio of 1.95:1 compared with $108.0 million and a ratio of 2.11:1 as at December 31, 2010. The decline resulted from a $29.6 million increase in fair value of derivative financial instruments recognized under liabilities due to the fact that as at September 30, 2011, the interest rate financial swaps for the Seigneurie de Beaupré 2 and 3 project which mature within the next 12 months were presented as current liabilities. Management intends to terminate these derivatives on the closing date of the corresponding financing package. The difference also stemmed from the decrease in restricted cash. These differences were offset by the decrease in accounts payable and accrued liabilities which, as at December 31, 2010, notably included amounts due to suppliers in connection with construction projects in the wind power segment and the decline in the current portion of long-term debt triggered by the renegotiation of the loan for the Ocean Falls power station, which expired on April 1, 2011.

TOTAL DEBT AND SHAREHOLDERS' EQUITY

As at September 30, 2011, the Corporation's total debt, including long-term debt and its current portion, bank loans and advances, and the liability component of convertible debentures, amounted to $739.0 compared with $734.6 million as at December 31, 2010. Long-term debt (including the current portion) notably increased $2.8 million as a result of drawdowns under European credit facilities to finance the wind power projects in France, particularly the solar power plant, the whole net of debt repayments for the period. Also, the euro's strengthening against the Canadian dollar from December 31, 2010 to September 30, 2011 resulted in an increase of approximately $10.3 million in Boralex's long-term debt in Europe. In this regard, note that 41% of Boralex's long-term debt as at September 30, 2011 was in Europe (40% as at December 31, 2010).

Net of cash and cash equivalents and restricted cash, total net debt amounted to $604.7 million as at September 30, 2011 compared with $626.0 million as at December 31, 2010. Moreover, total equity fell $23.7 million to $344.0 million as at September 30, 2011 from $367.7 million as at December 31, 2010. This decline resulted primarily from the adverse change in *Accumulated other comprehensive income (loss)* produced by the change in value of hedging financial instruments and the net loss for the nine-month period ended September 30, 2011.

As a result, the ratio of total net debt, excluding convertible debentures, to capitalization, which is the sum of total net debt and shareholders' equity, including convertible debentures, remained unchanged as at September 30, 2011 from its December 31, 2010 level of 41%.

Based on Boralex's share price of $6.96 as at September 30, 2011, the total net debt, excluding convertible debentures, to enterprise value ratio was 44% as at that date compared with 43% as at December 31, 2010 when the share price stood at $8.11.

OUTLOOK AND DEVELOPMENT OBJECTIVE

Following the acquisition of the Fund and the commissioning of new wind power facilities and its first solar power station, Boralex now has an installed capacity of over 700 MW, of which 73% is covered by indexed long-term sales contracts. With more than 400 MW of projects currently under development with its partners, Boralex's strategic objective, which was to aggregate 1,000 MW of capacity in operation or under development, has been achieved. As a result, Boralex has set a new objective of attaining an operating or contracted capacity of 1,500 MW by 2015.

In addition, the Corporation continues to seek out targets for acquisitions. For instance, the current weakness in the world economy may prompt some energy asset developers or operators to sell a portion of their assets to finance other operations. Boralex intends to capitalize on such opportunities to acquire already operational energy assets or projects in various phases of development with long-term power sales contracts and financing facilities, both in Canada and in Europe, and particularly in the wind power segment, the spearhead of the Corporation's expansion in coming years.

To sum up, **Boralex will continue, as always, to be financially rigorous and disciplined in investment projects and asset management in order to maximize and secure the operating earnings generated by its sites and its cash flows from operations. It will also continue to prudently capitalize on opportunities that arise in its fields of expertise, while keeping abreast of new technologies.**

INFORMATION ABOUT THE CORPORATION'S CAPITAL INSTRUMENTS

As at September 30, 2011, Boralex's capital stock consisted of 37,725,787 Class A shares issued and outstanding (37,765,139 as at December 31, 2010) and the number of stock options outstanding was 1,804,845, of which 950,330 were exercisable. As at September 30, 2011, 59,400 shares had been repurchased by the Corporation. The normal course issuer bid terminated on August 31, 2011.

As at September 30, 2011, Boralex had 2,448,738 issued and outstanding convertible debentures (2,451,244 as at December 31, 2010).

From October 1, 2011 to November 8, 2011, no new shares were issued on exercise of stock options and no new shares were issued in connection with a debenture conversion.

NORMAL COURSE ISSUER BID

On November 4, 2011, Boralex announced its intention to carry out a normal course issuer bid (the "Bid"). Under this Bid, open for a twelve-month period from November 8, 2011 to November 7, 2012, Boralex may buy back up to 250,000 Class A shares, or approximately 0.66% of the 37,725,787 Class A shares issued and outstanding Boralex Class A shares as at October 31, 2011. All buybacks will be carried out via the Toronto Stock Exchange, and the repurchased shares will be cancelled. Boralex had repurchased nil Class A shares as at November 8, 2011 under the Bid. A copy of the notice of intention to carry out the Bid may be obtained, free of charge, from the Corporation.

Boralex believes that share repurchases under the Bid will provide an opportunity to offset the dilutive effects arising from the issuance of Class A shares under the stock option plan. In light of the Corporation's view that the price of the shares covered by the notice of intention does not always reflect their true value, and that repurchases are an excellent way of enhancing shareholder value.

FINANCIAL INSTRUMENTS

MARKET RISK

In 2010, to stabilize its natural gas supply costs, the Corporation entered into a hedging contract to cover the natural gas needs of the Kingsey Falls power station from November 1, 2011 to November 30, 2012. This agreement covers the commodity price of the natural gas molecule and its delivery. As at September 30, 2011, the unfavourable fair value of this contract amounted to $4.0 million.

In 2010, to partially stabilize the selling price of steam produced by the Kingsey Falls power station, the Corporation entered into a hedging contract to fix the selling price index on 50% of the steam sold to its client. This contract covers a two-year period, from December 1, 2010 to November 30, 2012. As at September 30, 2011, the unfavourable fair value of this contract amounted to $1.2 million.

In March and September 2011, the Corporation entered into electricity price financial swaps to hedge against market price fluctuations for its U.S. wood-residue power stations. As at September 30, 2011, the Corporation had two electricity price financial swaps for total deliveries of 175,440 MWh up to an average price of US$50.61 at dates through April 30, 2012. As at September 30, 2011, the fair value of these swaps was unfavourable by $0.2 million.

These contracts qualify for hedge accounting.

INTEREST RATE RISK

As at September 30, 2011, approximately 36% of the long-term debt issued bears 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 5% of total debt. As at September 30, 2011, the nominal balance of these swaps stood at $412.8 million (€123.7 million and $240.0 million) while their unfavourable fair value was $42.9 million (€9.6 million and $29.6 million).

The Corporation does not plan to sell these instruments, since they were entered into 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, the Corporation is not significantly exposed to currency fluctuations because its foreign operations are self-sustaining. Boralex generally keeps liquid assets in the country in which they are generated to continue developing these subsidiaries in their country of origin. The Corporation is exposed, however, to a foreign exchange risk relating to certain transactions entered into in foreign currencies.

Specifically, a proportion of the raw materials used in its wood-residue power stations in the United States are purchased with Canadian dollars. In this respect, Boralex entered into forward sales contracts in fiscal 2009 to hedge a portion of purchases in Canadian dollars at its Fort Fairfield power station in the U.S. up to February 17, 2011. These contracts expired during the first quarter of 2011, and the Corporation is currently assessing the benefits of renewing such foreign exchange contracts.

The Corporation has entered into a forward contract to set an exchange rate of approximately C$1.3848 per euro for an expected €4.0 million outlay in 2011 for turbine purchases at the Seigneurie de Beaupré wind farms 2 and 3, for which the supplier is European. Hedge accounting was used for this foreign exchange contract with gains and losses resulting from the change in fair value of the effective portion of the hedging item included under *Other comprehensive income (loss)* until the date of purchase of the underlying capital assets. Their purchase cost will then be adjusted for such amount. As at September 30, 2011, the favourable fair value of this contract was insignificant.

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

RELATED PARTY TRANSACTIONS

Before acquisition of the Fund on September 15, 2010, the Corporation, through one of its wholly owned subsidiaries, was linked to the Fund under long-term management and administration contracts. For the nine-month period ended September 30, 2010, these management and administration agreements generated $4.4 million while the share in loss of the Fund amounted to a $3.1 million loss. Boralex received Fund distributions totalling $4.5 million during the same period in 2010.

Until February 28, 2011, one of Boralex's power stations in France supplied steam to a French division of Cascades, which has significant influence over Boralex, as it holds 35% of the Corporation's capital stock. Year-to-date revenues from this division of Cascades amounted to $1.8 million ($7.2 million in 2010). On March 1, 2011, this division of Cascades was sold to a third party unrelated to Boralex and to which the Corporation's power station continues to supply steam.

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 nine months of 2011, revenues from this agreement amounted to $0.5 million ($0.4 million in 2010).

The Kingsey Falls natural gas-fired power station has a steam sales contract with Cascades. For the first nine months of fiscal 2011, revenues from this agreement amounted to $13.9 million ($0.6 million in 2010).

COMMITMENTS

Commitments and contingencies are discussed in the MD&A section of the Corporation's annual report for the fiscal year ended December 31, 2010.

In May 2011, the Joint Venture entered into an agreement for the construction of the roads and the power grid of the Seigneurie de Beaupré wind farm project. Expenditures will be made using the percentage-of-completion method. As at September 30, 2011, the Corporation's share in the net commitments undertaken by the Joint Venture was $19 million.

In June 2011, the Joint Venture entered into a land lease maturing in 2033. The land on which wind turbines will be installed is leased for an insignificant annual amount, and as of the commissioning date slated for December 2013, for an annual amount of approximately $1.5 million, indexed annually at a rate of 1.5%. As at September 30, 2011, the Corporation's share of the commitments undertaken by the Joint Venture amounted to $17.5 million.

In June 2011, the Joint Venture entered into a contract to build and install wind turbines on private land of the Séminaire de Québec. Expenditures will be made using the percentage-of-completion method. In the event of cancellation of the current agreement by the Joint Venture, the Joint Venture must, in addition to the costs of work already carried out, reimburse the contractor any loss of profit on work not carried out. As at September 30, 2011, the Corporation's share in the net commitments of the Joint Venture was $255.0 million, consisting of €85 million and $136 million.

In August 2011, the Joint Venture entered into an agreement for the construction of the Seigneurie de Beaupré wind farm project's 2 and 3 transformer station. Expenditures will be made using the percentage-of-completion method. As at September 30, 2011, the Corporation's share in the net commitments undertaken by the Joint Venture was $3.0 million.

In August 2011, the Joint Venture entered into a 15-year wind turbine maintenance agreement for wind farms 2 and 3 effective as of project commissioning slated for December 2013. The agreement includes a cancellation option for the Joint Venture after seven years. Payments under the agreement will be made one year after the commissioning date and depend, in particular, on the power output produced by the wind turbines. As at September 30, 2011, the Corporation's share in the commitments of wind farms 2 and 3 for the next seven years totalled $24.4 million.

On November 8, 2011, the Corporation finalized the financing package for construction work on wind farms 2 and 3. This work represents a total investment of over $750 million. The amount of the financing package, secured by the project's assets without recourse against the partners, consists of a $590 million two-year construction loan, which will convert into a repayable term loan over an 18-year amortization period once commercial operations commence in December 2013. A $260 million tranche of the financing is covered by a guarantee pledged in favour of the lenders by the Federal Republic of Germany through its export credit agency, Euler-Hermes. On November 8, 2011, the partners contributed $153 million in equity. With this financing and the equity injected on or before the financing closing date, the first phase of the wind farms is entirely funded.

In addition to the $590 million in long-term financing, short-term loans, including bridge financing and letter of credit facilities, totalling $135 million, have been contracted for purposes of financing certain costs incurred during construction that are repayable by Hydro-Québec and issuing various letters of credit, increasing the total amount of financing to $725 million.

In the next few days, management will finalize negotiations regarding interest rate financial swaps in respect of 90% of the value of variable interest rate debt to hedge against interest rate movements, thereby reducing its interest rate exposure and, at the same time, will settle outstanding interest rate swaps prior to the financing closing date.

In connection with the wind power projects in Ontario and for certain sites in France, the Corporation entered into an agreement in June 2011 to purchase equipment. As at September 30, 2011, the total cost of the net commitment amounted to $0.5 million (US$0.5 million).

In addition, the Corporation undertook in June 2011 to sell 100% of its solar power output under a long-term contract maturing in 2031. The contract provides for annual indexation to indices relating to hourly wage costs and industry activity levels.

SUBSEQUENT EVENTS

SALE OF U.S. WOOD-RESIDUE POWER STATIONS

On November 7, 2011, the Corporation entered into a firm agreement with ReEnergy Holdings LLC pertaining to the sale of its five wood-residue power stations, with a total installed capacity of 186 MW, for a consideration of approximately US$93 million (subject to the typical adjustments to working capital subsequent to the closing date), with an after-tax amount of approximately US$81 million.

This decision was taken following a thorough review of strategic considerations by the Corporation's management and Board of Directors. The transaction provides Boralex with the best means to pursue its growth objectives in its various renewable energy segments, and the Corporation believes it to be in its shareholders' best interests.

Under the terms of the transaction, Boralex will benefit from contingent consideration linked to REC sales by the five power stations in the form of a 50% share in REC sale proceeds in excess of a set price threshold for 2012, 2013 and 2014.

The sale is expected to close by the end of the year. The transaction is subject to the typical closing date adjustments, including regulatory approval, and limited and final due diligence. The closing is not subject to financing.

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 Boralex's annual MD&A for the year ended December 31, 2010.

USE OF ESTIMATES AND MEASUREMENT UNCERTAINTY

The preparation of financial statements in conformity with IFRS 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 revenues 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, intangible assets subject to amortization and not subject to amortization, and goodwill. The key assumptions are: the future price of electricity, the future selling prices of RECs, the price of other energy sources, particularly 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.

SELLING PRICES

Over a three-year horizon, there is some liquidity in the electricity market, making it possible to establish forward selling price curves. Beyond that horizon, prices can be negotiated, but often at a significant discount in light of a lack of liquidity in that market. Therefore, the assumption used for pricing beyond the third year consists in adding a reasonable inflation rate to the third year 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.

FUTURE COSTS OF WOOD-RESIDUE PROCUREMENT

With regard to the cost of wood residue, this raw material is not publicly traded. 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.

REMAINING USEFUL LIFE

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

IMPAIRMENT

For impairment testing purposes, property, plant and equipment, intangible assets and other long-term assets are allocated to cash-generating units ("CGU") according to their type and external structures. The recoverable amount of a CGU is determined based on value-in-use calculations. In calculating value in use, the Corporation uses cash flow projections based on financial projections covering a five-year period. Cash flow projections beyond five years assume a long-term growth rate not exceeding gross domestic product for the respective countries. Cash flow projections are discounted using a rate adjusted for the economic and political risks of the specific location that are not reflected in the underlying cash flows specific to each CGU. Perpetuity maintenance capital expenditure has been estimated using the maintenance plan. The assumptions used in calculating value in use have considered the current economic environment, resulting in more conservative future value estimates.

Expected future cash flows are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, including market and production estimates, together with economic factors such as prices, discount rates, currency exchange rates, estimates of production costs and future capital expenditure.

In the second and third quarters, conditions at the wood-residue power stations prompted impairment testing at certain power stations. Station by station assessments were carried out, based on specific cost structure and operating market factors. At present, analyses show that the level of anticipated cash flows under current assumptions support the carrying amounts for these assets, except for the Dolbeau power station as discussed in note 6 of the accompanying unaudited interim condensed consolidated financial statements for the period ended September 30, 2011. In addition, note that a firm agreement in respect of the sale of five U.S. wood-residue power stations was entered into on November 7, 2011, as discussed in note 18. Consequently, the Corporation will continue to closely monitor this situation for the remaining wood-residue power stations.

CHANGE IN ACCOUNTING ESTIMATE

CHANGE IN USEFUL LIFE OF A WIND POWER FARM COMPONENT

As of April 1, 2011, the Corporation changed the useful life of a component for certain wind turbine models. The estimated life, which was formerly 15 years, was increased to 20 years, which now represents the estimated useful life for these models. This change in accounting estimate arose from new information obtained, as well as more experience regarding the component's estimated useful life. This revised estimate was recorded prospectively. The estimated annual impact of this change in accounting estimate is a decline of approximately $2.7 million in annual amortization expense for future periods. The change for the three- and nine-month period ended September 30, 2011 resulted in decreases in amortization expense of $0.7 million and $1.4 million, respectively.

FUTURE CHANGES IN ACCOUNTING POLICIES

IFRS 9, *FINANCIAL INSTRUMENTS*

IFRS 9, *Financial Instruments*, issued in November 2009, addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39, *Financial Instruments: Recognition and Measurement*, with a new measurement model comprising only two categories: amortized cost and fair value through net earnings (loss).

In October 2010, the IASB amended this standard to provide guidelines on the classification and measurement of financial liabilities. Companies that elect to measure their debt at fair value must recognize changes in fair value resulting from changes to their own credit risk through *Accumulated other comprehensive income (loss)*.

This standard is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The Corporation has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

IFRS 10, *CONSOLIDATED FINANCIAL STATEMENTS*
IAS 27, *SEPARATE FINANCIAL STATEMENTS* (REVISED 2011)

In May 2011, the IASB released IFRS 10, *Consolidated Financial Statements*, which supersedes SIC-12, *Consolidation—Special Purpose Entities*, and parts of former IAS 27, *Consolidated and Separate Financial Statements*. New IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included in a company's consolidated financial statements. The standard provides additional guidance to assist in the determination of control where it is difficult to assess. Regarding IAS 27, the rules for separate financial statements are carried forward unchanged in the amended version of IAS 27. These other sections of IAS 27 are superseded by IFRS 10. IFRS 10 and IAS 27 (revised) will be effective for fiscal years of the Corporation beginning on or after January 1, 2013, with earlier adoption permitted. The Corporation has not yet assessed the impact of these standards on its consolidated financial statements or determined whether to opt for early adoption.

IFRS 11, *JOINT VENTURES*
IAS 28, *INVESTMENTS IN ASSOCIATES AND JOINT VENTURES* (REVISED 2011)

In May 2011, the IASB released IFRS 11, *Joint Ventures*, which supersedes IAS 31, *Interests in Joint Ventures,* and SIC-13, *Jointly Controlled Entities – Non-monetary Contributions by Venturers*. IFRS 11 focuses on the rights and obligations of a joint arrangement, rather than its legal form as is currently the case under IAS 31. The standard addresses inconsistencies in the reporting of joint arrangements by requiring the equity method to account for interests in jointly controlled entities. The Corporation currently uses the equity method to account for its interest in a Joint Venture. Under this method, the share of net assets, net earnings (loss) and *Accumulated other comprehensive income (loss)* of the joint venture is reported on separate lines in the consolidated balance sheet, statement of earnings (loss) and statement of comprehensive income (loss), respectively. The revised version of IAS 28 (2011), *Investments in Associates and Joint Ventures*, supersedes current IAS 28, *Interests in Associates*. IAS 28 has been amended to conform to the changes made on issuance of IFRS 10, IFRS 11 and IFRS 12. IFRS 11 and IAS 28 (revised) will be effective for fiscal years of the Corporation beginning on or after January 1, 2013, with earlier adoption permitted. The Corporation has not yet assessed the impact of adopting these standards on its consolidated financial statements or determined whether to opt for early adoption, but it does not anticipate these standards to have a significant impact on its consolidated financial statements, as it already uses the equity method to account for its interest in the Joint Venture.

IFRS 12, *DISCLOSURE OF INTERESTS IN OTHER ENTITIES*

In May 2011, the IASB released IFRS 12, *Disclosure of Interests in Other Entities*. IFRS 12 is a new standard on disclosure requirements for all forms of interests in other entities, including joint ventures, associates, special purpose vehicles and other off-balance sheet vehicles. The standard requires an entity to disclose information regarding the nature and risks associated with its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. IFRS 12 will be effective for the fiscal years of the Corporation beginning on or after January 1, 2013, with earlier adoption permitted. The Corporation has not yet assessed the impact of adopting this standard on its consolidated financial statements or determined whether to opt for early adoption.

IFRS 13, *FAIR VALUE MEASUREMENT*

In May 2011, the IASB released IFRS 13, *Fair Value Measurement*. IFRS 13 will improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The standard will be effective for the fiscal years of the Corporation beginning on or after January 1, 2013, with earlier adoption permitted. The Corporation has not yet assessed the impact of adopting this standard on its consolidated financial statements or determined whether to opt for early adoption.

IAS 1, *PRESENTATION OF FINANCIAL STATEMENTS* (REVISED 2011)

In June 2011, the IASB released an amended version of IAS 1, *Presentation of Financial Statements*. This amended standard requires that comprehensive income (loss) be classified by nature: items that will not be reclassified to net earnings (loss) during a subsequent period and items that will be reclassified subsequently to earnings when specific conditions are met. IAS 1 (2011) further requires separate reporting of the share of the *Accumulated other comprehensive income (loss)* of associates and joint ventures accounted for using the equity method. The standard will be effective for the fiscal years of the Corporation beginning on or after July 1, 2012, with earlier adoption permitted. The Corporation has not yet assessed the impact of adopting this standard on its consolidated financial statements or determined whether to opt for early adoption.

INTERNAL CONTROLS AND PROCEDURES

In accordance with National 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 on a timely basis, including the Chief Executive Officer and the Chief Financial Officer, so that appropriate decisions can be made regarding disclosure. Internal control over financial reporting has also been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS.

The Chief Executive Officer and the Chief Financial Officer have evaluated the effectiveness of Boralex's disclosure controls and procedures as of December 31, 2010, as well as the effectiveness of Boralex's internal control over financial reporting as of the same date and have concluded that they are adequate and effective.

During the third quarter ended September 30, 2011, no changes were made to internal control over financial reporting or disclosure controls and procedures that have materially affected, or are reasonably likely to materially affect, internal controls and procedures. However, specific controls have been implemented for the transition to IFRS, and these controls will be maintained throughout the transition year.

Consolidated Balance Sheets

(in thousands of Canadian dollars) (unaudited)	Note	**As at September 30, 2011**	As at December 31, 2010
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		**133,068**	92,650
Restricted cash		**1,277**	15,924
Accounts receivable		**33,845**	60,420
Available-for-sale financial asset		**2,339**	23,251
Future income taxes		**-**	512
Inventories		**8,422**	9,179
Prepaid expenses		**4,205**	2,516
Fair value of derivative financial instruments	10	**47**	769
		183,203	205,221
Interest in a joint venture	5	**16,039**	–
Property, plant and equipment		**734,479**	738,884
Energy sales contracts		**101,914**	103,994
Water rights		**110,792**	113,015
Other long-term assets	7	**39,585**	46,842
Goodwill	4	**38,063**	38,063
		1,224,075	1,246,019
LIABILITIES			
CURRENT LIABILITIES			
Bank loans and advances		**-**	195
Accounts payable and accrued liabilities		**39,634**	59,558
Income taxes payable		**449**	3,209
Fair value of derivative financial instruments	10	**29,740**	183
Current portion of long-term debt	8	**24,023**	34,033
		93,846	97,178
Long-term debt	8	**492,367**	479,546
Convertible debentures	9	**222,579**	220,824
Long-term lease accruals		**3,385**	2,981
Future income taxes		**49,280**	66,967
Fair value of derivative financial instruments	10	**18,614**	10,834
		880,071	878,330
EQUITY			
Capital stock		**222,751**	222,853
Equity component of convertible debentures		**14,379**	14,488
Contributed surplus		**5,878**	5,028
Retained earnings		**136,921**	142,300
Accumulated other comprehensive loss	11	**(44,064)**	(25,874)
Equity attributable to shareholders		**335,865**	358,795
Non-controlling interests		**8,139**	8,894
Total equity		**344,004**	367,689
		1,224,075	1,246,019

See accompanying notes to consolidated financial statements.

Consolidated Statements of Earnings (Loss)

(in thousands of Canadian dollars, except per share amounts and number of shares) (unaudited)	Note	Three-month periods ended September 30 2011	2010	Nine-month periods ended September 30 2011	2010
REVENUES					
Revenues from energy sales		**50,120**	42,096	**186,112**	129,828
Management revenues from the Fund		**-**	1,158	**-**	4,437
Other income		**189**	144	**513**	598
		50,309	43,398	**186,625**	134,863
COSTS AND OTHER EXPENSES					
Operating costs	12	**28,139**	26,629	**93,397**	77,562
Administrative	12	**4,338**	1,842	**14,206**	12,373
Development		**1,055**	785	**2,724**	3,587
Management and operation of the Fund		**-**	1,176	**-**	3,995
Amortization		**15,957**	8,374	**48,790**	24,314
Impairment of property, plant and equipment	6	**6,503**	-	**6,503**	-
Net gain on deemed disposal of investment in the Fund	4	**-**	(25,692)	**-**	(25,692)
Other gains	14	**(582)**	-	**(2,959)**	(774)
		55,410	13,114	**162,661**	95,365
OPERATING INCOME (LOSS)		**(5,101)**	30,284	**23,964**	39,498
Financing costs	13	**12,553**	4,195	**37,049**	13,078
Foreign exchange loss (gain)		**(5,377)**	361	**(3,340)**	(69)
Net loss (gain) on financial instruments		**68**	214	**477**	(125)
EARNINGS (LOSS) BEFORE INCOME TAXES AND SHARE IN LOSS OF THE FUND		**(12,345)**	25,514	**(10,222)**	26,614
Income tax recovery		**(4,804)**	(10,801)	**(4,157)**	(8,249)
NET EARNINGS (LOSS) BEFORE SHARE IN LOSS OF THE FUND		**(7,541)**	36,315	**(6,065)**	34,863
Share in loss of the Fund		**-**	(1,955)	**-**	(3,148)
NET EARNINGS (LOSS)		**(7,541)**	34,360	**(6,065)**	31,715
NET EARNINGS (LOSS) ATTRIBUTABLE TO:					
Shareholders of Boralex		**(7,208)**	34,730	**(5,304)**	31,992
Non-controlling shareholders		**(333)**	(370)	**(761)**	(277)
NET EARNINGS (LOSS)		**(7,541)**	34,360	**(6,065)**	31,715
Net earnings (loss) per share (basic)	19	**$(0.19)**	$0.92	**$(0.14)**	$0.85
Net earnings (loss) per share (diluted)	19	**$(0.19)**	$0.87	**$(0.14)**	$0.84
Weighted average number of shares outstanding (basic)		**37,745,598**	37,740,921	**37,761,692**	37,740,921
Weighted average number of shares outstanding (diluted)		**37,792,349**	40,186,969	**37,856,776**	38,658,117

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income (Loss)

(in thousands of Canadian dollars) (unaudited)	Note	Three-month periods ended September 30 2011	Three-month periods ended September 30 2010	Nine-month periods ended September 30 2011	Nine-month periods ended September 30 2010
NET EARNINGS (LOSS)		**(7,541)**	34,360	**(6,065)**	31,715
Other comprehensive income (loss)	11				
Translation adjustments					
Unrealized foreign exchange gain (loss) on translation of financial statements of self-sustaining foreign operations		**9,562**	(179)	**9,845**	(6,553)
Share of cumulative translation adjustments of the Fund		**-**	(216)	**-**	-
Taxes		**-**	(123)	**(259)**	37
Cash flow hedges					
Change in fair value of financial instruments		**(30,949)**	228	**(41,672)**	(13,849)
Hedging items realized and recognized in net earnings (loss)		**990**	(1,076)	**3,140**	(4,454)
Hedging items realized and recognized in balance sheet		**-**	2,711	**198**	4,848
Taxes		**9,149**	545	**11,335**	4,458
Available-for-sale financial asset					
Unrealized loss on available-for-sale financial asset		**(571)**	-	**(771)**	-
		(11,819)	1,890	**(18,184)**	(15,513)
COMPREHENSIVE INCOME (LOSS)		**(19,360)**	36,250	**(24,249)**	16,202
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:					
Shareholders of Boralex		**(19,027)**	36,573	**(23,494)**	16,454
Non-controlling shareholders		**(333)**	(323)	**(755)**	(252)
COMPREHENSIVE INCOME (LOSS)		**(19,360)**	36,250	**(24,249)**	16,202

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2011

	Attributable to shareholders						Non-	
(in thousands of Canadian dollars) (unaudited)	**Capital stock**	**Equity component of convertible debentures**	**Contributed surplus**	**Retained earnings**	**Comprehensive loss**	**Total**	**Non-controlling interests**	**Total equity**
Balance – beginning of period	**222,853**	**14,488**	**5,028**	**142,300**	**(25,874)**	**358,795**	**8,894**	**367,689**
Net loss for the period	-	-	-	(5,304)	-	(5,304)	(761)	(6,065)
Other comprehensive loss	-	-	-	-	(18,190)	(18,190)	6	(18,184)
Comprehensive loss	**-**	**-**	**-**	**(5,304)**	**(18,190)**	**(23,494)**	**(755)**	**(24,249)**
Conversion of convertible debentures	250	-	-	-	-	250	-	250
Share repurchase	(352)	-	-	(75)	-	(427)	-	(427)
Stock option expense	-	-	850	-	-	850	-	850
Other	-	(109)	-	-	-	(109)	-	(109)
Balance – end of period	**222,751**	**14,379**	**5,878**	**136,921**	**(44,064)**	**335,865**	**8,139**	**344,004**

See accompanying notes to consolidated financial statements.

NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2010

	Attributable to shareholders							
(in thousands of Canadian dollars) (unaudited)	**Capital stock**	**Equity component of convertible debentures**	**Contributed surplus**	**Retained earnings**	**Comprehensive loss**	**Total**	**Non-controlling interests**	**Total equity**
Balance – beginning of period	**222,694**	**-**	**4,290**	**105,538**	**(2,344)**	**330,178**	**7,031**	**337,209**
Net earnings for the period	-	-	-	31,992	-	31,992	(277)	31,715
Other comprehensive loss	-	-	-	-	(15,538)	(15,538)	25	(15,513)
Comprehensive income (loss)	**-**	**-**	**-**	**31,992**	**(15,538)**	**16,454**	**(252)**	**16,202**
Excess of purchase price paid for acquisition of non-controlling interests	-	-	-	(1,725)	-	(1,725)	(26)	(1,751)
Excess of proceeds from partial sale of a subsidiary	-	-	-	3,415	-	3,415	-	3,415
Stock option expense	-	-	594	-	-	594	-	594
Issuance of convertible debentures and imputed interest	-	13,185	-	-	-	13,185	-	13,185
Contribution of non-controlling interest	-	-	-	-	-	-	2,247	2,247
Acquisition of the Fund	-	-	-	-	-	-	81,002	81,002
Balance – end of period	**222,694**	**13,185**	**4,884**	**139,220**	**(17,882)**	**362,101**	**90,002**	**452,103**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

(in thousands of Canadian dollars) (unaudited)	Note	NINE-MONTH PERIODS ENDED SEPTEMBER 30 **2011**	2010
OPERATING ACTIVITIES			
Net earnings (loss) attributable to shareholders of Boralex		**(5,304)**	31,992
Distributions received from the Fund		**-**	4,475
Financing costs		**37,049**	13,078
Interest paid		**(33,796)**	(13,682)
Income tax recovery		**(4,157)**	(8,249)
Income taxes paid		**(4,298)**	(2,535)
Adjustments for non-cash items:			
Unrealized foreign exchange gain on intercompany advances		**(1,324)**	-
Net loss (gain) on financial instruments		**477**	(125)
Share in earnings of the Fund		**-**	3,148
Amortization		**48,790**	24,314
Impairment of property, plant and equipment	6	**6,503**	-
Gain on sale of assets	14	**(2,377)**	(774)
Gain on sale of assets to a joint venture	14	**(582)**	-
Gain on deemed disposal of investment in the Fund	4	**-**	(30,874)
Other		**1,732**	1,066
		42,713	21,834
Change in non-cash working capital items		**30,471**	2,988
		73,184	24,822
INVESTING ACTIVITIES			
Additions to property, plant and equipment		**(30,039)**	(137,822)
Change in restricted cash		**14,647**	(35,022)
Business acquisitions		**(700)**	(40,953)
Increase in interest in a joint venture	5	**(10,376)**	-
Proceeds from sale of a subsidiary		**-**	878
Change in reserve funds		**(254)**	882
Development projects		**(1,181)**	(730)
Proceeds from sale of asset	14	**2,050**	-
Other		**1,367**	2,207
		(24,486)	(210,560)
FINANCING ACTIVITIES			
Decrease in bank loans and advances		**(201)**	(12,291)
Net increase in long-term debt		**33,186**	263,271
Payments on long-term debt		**(42,427)**	(67,757)
Net issuance of convertible debentures		**-**	103,945
Share repurchase		**(427)**	-
Purchase of non-controlling interests		**-**	(1,751)
Increase in non-controlling interests		**-**	5,662
		(9,869)	291,079
TRANSLATION ADJUSTMENT ON CASH AND CASH EQUIVALENTS		**1,589**	(2,430)
NET CHANGE IN CASH AND CASH EQUIVALENTS		**40,418**	102,911
CASH AND CASH EQUIVALENTS – BEGINNING OF PERIOD		**92,650**	37,821
CASH AND CASH EQUIVALENTS – END OF PERIOD		**133,068**	140,732

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

As at September 30, 2011
(Tabular amounts are in thousands of Canadian dollars, unless otherwise specified.) (unaudited)

Note 1.

NATURE OF OPERATIONS

Boralex Inc. ("Boralex" or the "Corporation") operates mainly as a private producer of energy. The Corporation has interests in 21 wind power stations, 15 hydroelectric power stations, eight wood-residue thermal power stations, two natural gas cogeneration power stations and a solar power facility for a total capacity of more than 700 megawatts ("MW*"). The Corporation also operates two hydroelectric power stations on behalf of an entity controlled by a director and officer of the Corporation. Based in Québec, Canada, Boralex is domiciled at 36, rue Lajeunesse, Kingsey Falls, Québec, Canada and its shares and convertible debentures are listed on the Toronto Stock Exchange ("TSX").

The Board of Directors approved these unaudited interim condensed consolidated financial statements on November 8, 2011.

*(*The data expressed in MW and MWh contained in note 16 have not been reviewed by the auditor.)*

BASIS OF PRESENTATION AND IFRS ADOPTION

The consolidated financial statements were previously prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") in accordance with Part V of the *CICA Handbook*. For periods beginning on or after January 1, 2011, Canadian GAAP for publicly accountable enterprises have been revised to conform to International Financial Reporting Standards ("IFRS"), as published by the International Accounting Standards Board (IASB), including International Accounting Standards ("IAS") and the interpretations of the International Financial Reporting Committee ("IFRIC").

These interim condensed consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements including IAS 34, *Interim Financial Reporting*, and IFRS 1, *First-time adoption of International Financial Reporting Standards*. The accounting policies followed in the interim condensed consolidated financial statements are the same as those applied in the interim financial statements of the Corporation for the period ended March 31, 2011. The Corporation has consistently applied the same accounting policies for all of the periods presented, as if these policies had always been in effect. These interim financial statements do not constitute a complete set of financial statements as the Corporation does not present a summary of significant accounting policies. To avoid repetition of information previously reported, the Corporation deemed it irrelevant to include such information and, therefore, readers must be advised that these financial statements constitute a condensed set of financial statements as defined in IAS 34.

Note 20 discloses the impact of the transition to IFRS on the Corporation's condensed statements of consolidated earnings (loss), comprehensive income (loss) and cash flows for the three-month and nine-month periods ended September 30, 2010, its condensed consolidated statement of equity as at September 30, 2010, including the nature and effect of significant changes in accounting policies from those used in the Corporation's consolidated financial statements for the year ended December 31, 2010.

The policies applied in these unaudited interim condensed consolidated financial statements are based on IFRS issued and outstanding as of November 8, 2011, the date the Board of Directors approved the financial statements. Any subsequent changes to IFRS that impact the Corporation's annual consolidated financial statements for the year ending December 31, 2011 could result in a restatement of these interim consolidated financial statements, including the transition adjustments recognized on the changeover to IFRS.

The unaudited interim condensed consolidated financial statements should be read in conjunction with the Corporation's Canadian GAAP annual financial statements for the year ended December 31, 2010 and its unaudited interim condensed financial statements for the quarter ended March 31, 2011 prepared in accordance with IFRS for interim financial statements.

Note 2.

USE OF ESTIMATES AND MEASUREMENT UNCERTAINTY

The preparation of financial statements in conformity with IFRS 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 revenues 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, intangible assets subject to amortization and not subject to amortization, and goodwill. The key assumptions are: the future price of electricity, the future selling prices of RECs, the price of other energy sources, particularly 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.

SELLING PRICES

Over a three-year horizon, there is some liquidity in the electricity market, making it possible to establish forward selling price curves. Beyond that horizon, prices can be negotiated, but often at a significant discount in light of a lack of liquidity in that market. Therefore, the assumption used for pricing beyond the third year consists in adding a reasonable inflation rate to the third year 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.

FUTURE COSTS OF WOOD-RESIDUE PROCUREMENT

With regard to the cost of wood residue, this raw material is not publicly traded. 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.

REMAINING USEFUL LIFE

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

IMPAIRMENT

For impairment testing purposes, property, plant and equipment, intangible assets and other long-term assets are allocated to cash-generating units ("CGU") according to their type and external structures. The recoverable amount of a CGU is determined based on value-in-use calculations. In calculating value in use, the Corporation uses cash flow projections based on financial projections covering a five-year period. Cash flow projections beyond five years assume a long-term growth rate not exceeding gross domestic product for the respective countries. Cash flow projections are discounted using a rate adjusted for the economic and political risks of the specific location that are not reflected in the underlying cash flows specific to each CGU. Perpetuity maintenance capital expenditure has been estimated using the maintenance plan. The assumptions used in calculating value in use have considered the current economic environment, resulting in more conservative future value estimates.

Expected future cash flows are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, including market and production estimates, together with economic factors such as prices, discount rates, currency exchange rates, estimates of production costs and future capital expenditure.

Note 2. Use of estimates and measurement uncertainty (Cont'd)

In the second and third quarters, conditions at the wood-residue power stations prompted impairment testing at certain power stations. Station by station assessments were carried out, based on specific cost structure and operating market factors. At present, analyses show that the level of anticipated cash flows under current assumptions support the carrying amounts for these assets, except for the Dolbeau power station as discussed in note 6. In addition, note that a firm agreement in respect of the sale of five U.S. wood-residue power stations was entered into on November 7, 2011, as discussed in note 18. Consequently, the Corporation will continue to closely monitor this situation for the remaining wood-residue power stations.

Note 3.

CHANGE IN ACCOUNTING ESTIMATE

CHANGE IN USEFUL LIFE OF A WIND POWER FARM COMPONENT

As of April 1, 2011, the Corporation changed the useful life of a component for certain wind turbine models. The estimated life, which was formerly 15 years, was increased to 20 years, which now represents the estimated useful life for these models. This change in accounting estimate arose from new information obtained, as well as more experience regarding the component's estimated useful life. This revised estimate was recorded prospectively. The estimated annual impact of this change in accounting estimate is a decline of approximately $2,700,000 in annual amortization expense for future periods. The change for the three-month and nine-month period ended September 30, 2011 resulted in decreases in amortization expense of $675,000 and $1,350,000, respectively.

FUTURE CHANGES IN ACCOUNTING POLICIES

IFRS 9, *FINANCIAL INSTRUMENTS*

IFRS 9, *Financial Instruments*, issued in November 2009, addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39, *Financial Instruments: Recognition and Measurement*, with a new measurement model comprising only two categories: amortized cost and fair value through net earnings (loss).

In October 2010, the IASB amended this standard to provide guidelines on the classification and measurement of financial liabilities. Companies that elect to measure their debt at fair value must recognize changes in fair value resulting from changes to their own credit risk through *Accumulated other comprehensive income (loss),* instead of the statement of earnings (loss).

This standard is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The Corporation has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

IFRS 10, *CONSOLIDATED FINANCIAL STATEMENTS*

IAS 27, *SEPARATE FINANCIAL STATEMENTS* (REVISED 2011)

In May 2011, the IASB released IFRS 10, *Consolidated Financial Statements,* which supersedes SIC-12, *Consolidation—Special Purpose Entities,* and parts of former IAS 27, *Consolidated and Separate Financial Statements*. New IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included in a company's consolidated financial statements. The standard provides additional guidance to assist in the determination of control where it is difficult to assess. Regarding IAS 27, the rules for separate financial statements are carried forward unchanged in the amended version of IAS 27. These other sections of IAS 27 are superseded by IFRS 10. IFRS 10 and IAS 27 (revised) will be effective for fiscal years of the Corporation beginning on or after January 1, 2013, with earlier adoption permitted. The Corporation has not yet assessed the impact of these standards on its consolidated financial statements or determined whether to opt for early adoption.

Note 3. Change in accounting estimate and future changes in accounting policies (Cont'd)

IFRS 11, *JOINT VENTURES*
IAS 28, *INVESTMENTS IN ASSOCIATES AND JOINT VENTURES* (REVISED 2011)

In May 2011, the IASB released IFRS 11, *Joint Ventures*, which supersedes IAS 31, *Interests in Joint Ventures,* and SIC-13, *Jointly Controlled Entities – Non-monetary Contributions by Venturers*. IFRS 11 focuses on the rights and obligations of a joint arrangement, rather than its legal form as is currently the case under IAS 31. The standard addresses inconsistencies in the reporting of joint arrangements by requiring the equity method to account for interests in jointly controlled entities. The Corporation currently uses the equity method to account for its interest in a Joint Venture. Under this method, the share of net assets, net earnings (loss) and *Accumulated other comprehensive income (loss)* of the joint venture is reported on separate lines in the consolidated balance sheet, statement of earnings (loss) and statement of comprehensive income (loss), respectively. The revised version of IAS 28 (2011), *Investments in Associates and Joint Ventures,* supersedes current IAS 28, *Interests in Associates*. IAS 28 has been amended to conform to the changes made on issuance of IFRS 10, IFRS 11 and IFRS 12. IFRS 11 and IAS 28 (revised) will be effective for fiscal years of the Corporation beginning on or after January 1, 2013, with earlier adoption permitted. The Corporation has not yet assessed the impact of adopting these standards on its consolidated financial statements or determined whether to opt for early adoption, but it does not anticipate these standards to have a significant impact on its consolidated financial statements as it already uses the equity method to account for its interest in the Joint Venture.

IFRS 12, *DISCLOSURE OF INTERESTS IN OTHER ENTITIES*

In May 2011, the IASB released IFRS 12, *Disclosure of Interests in Other Entities*. IFRS 12 is a new standard on disclosure requirements for all forms of interests in other entities, including joint ventures, associates, special purpose vehicles and other off-balance sheet vehicles. The standard requires an entity to disclose information regarding the nature and risks associated with its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. IFRS 12 will be effective for the fiscal years of the Corporation beginning on or after January 1, 2013, with earlier adoption permitted. The Corporation has not yet assessed the impact of adopting this standard on its consolidated financial statements or determined whether to opt for early adoption.

IFRS 13, *FAIR VALUE MEASUREMENT*

In May 2011, the IASB released IFRS 13, *Fair Value Measurement*. IFRS 13 will improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The standard will be effective for the fiscal years of the Corporation beginning on or after January 1, 2013, with earlier adoption permitted. The Corporation has not yet assessed the impact of adopting this standard on its consolidated financial statements or determined whether to opt for early adoption.

IAS 1, *PRESENTATION OF FINANCIAL STATEMENTS* (REVISED 2011)

In June 2011, the IASB released an amended version of IAS 1, *Presentation of Financial Statements*. This amended standard requires that comprehensive income (loss) be classified by nature: items that will not be reclassified to net earnings (loss) during a subsequent period and items that will be reclassified subsequently to earnings when specific conditions are met. IAS 1 (2011) further requires separate reporting of the share of the *Accumulated other comprehensive income (loss)* of associates and joint ventures accounted for using the equity method. The standard will be effective for the fiscal years of the Corporation beginning on or after July 1, 2012, with earlier adoption permitted. The Corporation has not yet assessed the impact of adopting this standard on its consolidated financial statements or determined whether to opt for early adoption.

Note 4.
ACQUISITION OF THE FUND

The gain on deemed disposal of the 23% investment in the Fund that the Corporation held when it acquired control of the Fund is calculated as follows:

Carrying amount of investment in the Fund as at September 15, 2010	37,960
Fair value of investment (13,767,990 units at $5 per unit)	68,840
	30,880
Realized cumulative translation adjustments of the Fund	(6)
Gain on deemed disposal of investment	30,874

The gain on disposal of investment, net of acquisition costs, was recognized in the statement of earnings (loss) as a net amount of $25,692,000.

The fair value of all the units issued was $295,340,000 ($5 per unit), and this amount was allocated to the net identifiable assets as follows:

Working capital	19,886
Available-for-sale financial asset	23,978
Property, plant and equipment	205,888
Energy sales contracts	53,610
Water rights	110,792
Other long-term assets	8,313
Long-term debt	(117,867)
Financial instrument	(1,477)
Long-term lease accruals	(2,995)
Future income taxes	(66,009)
Net assets	234,119
Goodwill	61,221
Fair value	295,340

In the first quarter of 2011, the Corporation finalized the purchase price allocation ("PPA") for the Fund, which was acquired on September 15, 2010, and retrospectively adjusted to September 15, 2010 the preliminary allocation entry. This PPA was based on the market value on the acquisition date determined with the assistance of independent professional valuators. This PPA is final.

On November 2, 2010, the Corporation carried out a reorganization of the tax structure of the Fund, including its initial operations, which resulted in the elimination of entities whose tax rates depended on how distributed profits were treated. The Corporation subsequently remeasured its future income tax balances using the new income tax rate, resulting in a decrease in the future income tax liability and an increase in the Fund's net assets.

As a result of this reorganization, the Corporation tested goodwill for impairment due to an indication that future cash flows would be inadequate to recover that value of the Fund's net assets. Subsequent to this test, during the fourth quarter of 2010, the Corporation recognized a goodwill impairment charge of $23,158,000. Accordingly, goodwill totalled $38,063,000 as at December 31, 2010.

Note 5.

INTEREST IN A JOINT VENTURE

In June 2011, in connection with the Seigneurie de Beaupré wind power 2 and 3 project, the Corporation entered into a partnership agreement with a subsidiary of Gaz Métro Limited Partnership and created the joint venture Seigneurie de Beaupré Wind Farms 2 and 3, G.P. (the “Joint Venture”), of which each party owns 50%. Under the agreement, all expenditures are made jointly and all earnings, costs, expenses, liabilities, obligations and risks resulting from the Joint Venture are shared equally. The Corporation’s interest in the Joint Venture is accounted for using the equity method. Under this method, the share of net assets, net earnings (loss) and *Accumulated other comprehensive income (loss)* of the Joint Venture is reported on separate lines in the consolidated balance sheet, statement of earnings (loss) and statement of comprehensive income (loss), respectively. As at September 30, 2011, the Corporation’s net assets in the Joint Venture amounted to $16,039,000.

In May 2011, the Joint Venture entered into an agreement for the construction of the roads and the power grid of the Seigneurie de Beaupré wind farm project. Expenditures will be made using the percentage-of-completion method. As at September 30, 2011, the Corporation’s share in the net commitments undertaken by the Joint Venture was $19,000,000.

In June 2011, the Joint Venture entered into a land lease maturing in 2033. The land on which wind turbines will be installed is leased for an annual amount of approximately $50,000 as of the commissioning date slated for December 2013, for an annual amount of approximately $1,500,000, indexed annually at a rate of 1.5%. As at September 30, 2011, the Corporation’s share of the commitments undertaken by the Joint Venture amounted to $17,500,000.

In June 2011, the Joint Venture entered into a contract to build and install wind turbines on private land of the Séminaire de Québec. Expenditures will be made using the percentage-of-completion method. In the event of cancellation of the current agreement by the Joint Venture, the Joint Venture must, in addition to the costs of work already carried out, reimburse the contractor any loss of profit on work not carried out. As at September 30, 2011, the Corporation’s share in the net commitments undertaken by the Joint Venture was $255,000,000, consisting of €85,000,000 and $136,000,000.

In August 2011, the Joint Venture entered into an agreement for the construction of the Seigneurie de Beaupré wind farm project’s 2 and 3 transformer station. Expenditures will be made using the percentage-of-completion method. As at September 30, 2011, the Corporation’s share in the net commitments undertaken by the Joint Venture was $3,000,000.

In August 2011, the Joint Venture entered into a 15-year wind turbine maintenance agreement for wind farms 2 and 3 effective as of project commissioning slated for December 2013. The agreement includes a cancellation option for the Joint Venture after seven years. Payments under the agreement will be made one year after the commissioning date and depend, among others, on the power output produced by the wind turbines. As at September 30, 2011, the Corporation’s share in the commitments of wind farms 2 and 3 for the next seven years totalled $24,400,000.

On November 8, 2011, the Corporation finalized the financing package for construction work on wind farms 2 and 3. This work represents a total investment of over $750,000,000. The amount of the financing package, secured by the project’s assets without recourse against the partners, consists of a $590,000,000 two-year construction loan, which will convert into a repayable term loan over an 18-year amortization period once commercial operations commence in December 2013. A $260,000,000 tranche of the financing is covered by a guarantee pledged in favour of the lenders by the Federal Republic of Germany through its export credit agency, Euler-Hermes. On November 8, 2011, the partners contributed $153,000,000 in equity. With this financing and the equity injected on or before the financing closing date, the first phase of the wind farms is entirely funded.

In addition to the $590,000,000 in long-term financing, short-term loans, including bridge financing and letter of credit facilities, totalling $135,000,000, have been contracted for purposes of financing certain costs incurred during construction that are repayable by Hydro-Québec and issuing various letters of credit, increasing the total amount of financing to $725,000,000.

In the next few days, management will finalize negotiations regarding interest rate financial swaps in respect of 90% of the value of variable interest rate debt to hedge against interest rate movements, thereby reducing its interest rate exposure and, at the same time, will settle outstanding interest rate swaps prior to the financing closing date.

Note 6.

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

In September 2011, an impairment charge of $6,503,000 against the value of property, plant and equipment at the Dolbeau wood-residue power station was recorded. This charge was taken subsequent to the decision to close this power station definitively. The carrying amount of the property, plant and equipment was reduced to their recoverable amount. As at September 30, 2011, the recoverable amount was determined to be nil, which represents the fair value less costs to sell, dismantle and restore the site. Fair value was determined through reference to the market price the Corporation would have obtained if the property, plant and equipment were to be dismantled for resale purposes.

Note 7.
OTHER LONG-TERM ASSETS

	Note	**As at September 30, 2011**	As at December 31, 2010
Renewable energy tax credits	(a)	**16,362**	16,410
Reserve funds and other funds held in trust	(b)	**3,561**	3, 146
Net investments in finance leases	(c)	**11,301**	11,854
CO_2 quota		**1,526**	860
Development projects	(d)	**5,579**	12,434
Other intangible assets	(e)	**1,256**	2,138
		39,585	46,842

Amortization of other long-term assets amounted to $295,000 and $885,000 for the three-month and nine-month periods ended September 30, 2011 (nil for the comparable periods of 2010). Those amounts were recognized under *Amortization*.

Notes:

(a) *Renewal energy tax credits* are tax credits earned by the Corporation in the U.S. and will be used to reduce the Corporation's future tax burden in the United States. Financial projections indicate that the amount recorded may be realized by the maturing dates in 2025 and 2026.

(b) *Reserve funds and other funds held in trust* consist primarily of reserves for servicing long-term debt. The reserves guarantee financing arrangements in France, the U.S. and Canada and represent three to nine months of debt servicing, depending on the project. The reserves amounted to $2,738,000 (€1,142,000 and US$1,100,000). A reserve to fund capital expenditures amounted to $312,000 (US$300,000).

(c) Finance leases for equipment used in the wood-residue segment are entered into with U.S. and Canadian suppliers. As at September 30, 2011, receivables from U.S. and Canadian suppliers totalled $11,301,000, consisting of US$10,028,000 and $883,000, respectively.

(d) *Development projects* consisted primarily of one hydroelectric project in Québec, wind power projects in Québec and one wind power project in Italy.

(e) *Other intangible assets* consisted mainly of the natural gas supply contract held by the Kingsey Falls power station.

Note 8.
LONG-TERM DEBT

Long-term debt includes the following:

	Maturity	*Rate*[1]	**As at September 30, 2011**	As at December 31, 2010
Master agreement – wind power projects (France)	2017-2022	4.95	**185,399**	192,079
Term loan payable – Nibas wind farm	2016	5.00	**7,041**	7,580
Capital leases (France)	2012-2015	4.43	**5,506**	7,079
Term loan payable – Ocean Falls power station	2024	6.55	**10,862**	9,000
Term loan payable – Thames River wind farms	2031	7.05	**181,104**	184,665
Canadian senior secured notes	2014	6.60	**37,453**	38,328
U.S. senior secured notes	2013	6.20	**78,570**	76,646
Term loan payable – solar power station (France)	2025-2028	3.92	**14,773**	3,205
Other debts	–	–	**5,046**	4,068
			525,754	522,650
Current portion			**(24,023)**	(34,033)
Financing costs, net of accumulated amortization			**(9,364)**	(9,071)
			492,367	479,546

[1] Weighted-average rates adjusted to reflect the impact of interest rate swaps, where applicable.

Note 8. Long-term debt (Cont'd)

FINANCING – OCEAN FALLS

On March 31, 2011, the Corporation entered into a credit agreement relating to its Ocean Falls hydroelectric power station located in British Columbia. This 13-year term credit agreement for an amount of $11,000,000 is secured by all the assets of the Ocean Falls power station, without recourse to Boralex. The credit agreement allows for early repayment, subject to the payment of a premium calculated on the date of repayment as the difference, if any, between the balance of the debt and the future cash flows discounted using the rate of Government of Canada bonds with a similar term plus 0.5%.

On April 1, 2011, the Corporation repaid the initial loan balance of $9,000,000 as required under the terms of the agreement.

REVOLVING CREDIT FACILITY

On May 6, 2011, the revolving credit facility was increased by $20,000,000 to a total authorized amount of $60,000,000. However, the total amount of cash advances is limited to $40,000,000. For drawdowns in US dollars, the interest rate is based on the LIBOR or the U.S. prime rate plus a margin while interest on Canadian dollar drawdowns is calculated using the Canadian bankers' acceptance rates or prime rate plus their respective margins. This facility is secured by the assets of Boralex and its investments in its U.S. operations. As at September 30, 2011, letters of credit totalling $16,473,000 had been issued.

Note 9.

CONVERTIBLE DEBENTURES

The value of convertible debentures was determined as follows:

	As at September 30, 2011	As at December 31, 2010
Convertible debentures issued, net of $276 in conversions as at September 30, 2011	**244,874**	245,124
Equity component of convertible debentures[1]	**(19,537)**	(19,537)
Costs related to issue of convertible debentures, net of accumulated amortization of $463 as at September 30, 2011	**(4,842)**	(5,174)
Imputed interest on convertible debentures of 8.50%	**2,084**	411
	222,579	220,824

[1] Excluding impact of future income taxes of $5,158,000.

Note 10.

FINANCIAL INSTRUMENTS

The fair value of the derivative financial instruments designated as cash flow hedges is as follows:

	As at September 30, 2011	As at December 31, 2010
FINANCIAL ASSETS		
Foreign exchange forward contracts	**47**	104
Financial swaps – electricity prices	**-**	665
	47	769
FINANCIAL LIABILITIES		
Foreign exchange forward contracts	**-**	183
Financial swaps – electricity prices	**172**	-
Financial swaps – commodities	**5,263**	2,632
Financial swaps – interest rates	**42,919**	8,202
	48,354	11,017

INTEREST RATE FINANCIAL SWAPS - LA SEIGNEURIE

In April and July 2011, the Corporation entered into interest rate swap transactions to set a significant proportion of the expected financing rate for its Seigneurie de Beaupré wind power project. The transactions have a total nominal amount of $240,000,000 with rates of approximately 4.48%. As at September 30, 2011, the fair value of these swaps was unfavourable by $29,568,000. As discussed in note 5, management will settle these interest rate swaps a few days after the financing closing date.

Note 10. Financial instruments (Cont'd)

ELECTRICITY PRICE FINANCIAL SWAPS

During the third quarter of 2011, the Corporation entered into electricity price financial swaps to hedge against market price fluctuations for its U.S. wood-residue power stations until April 30, 2012 at an average price of $50.61. As at September 30, 2011, the Corporation had two electricity price financial swaps for total deliveries of 175,440 MWh. As at September 30, 2011, the fair value of these swaps was unfavourable by $172,000.

Note 11.

ACCUMULATED OTHER COMPREHENSIVE LOSS

NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2011

	Translation adjustments	*Hedge Electricity price*	*Hedge Interest rate*	*Hedge Commodities*	*Hedge Foreign currency*	*Total*
Balance – beginning of period	**(16,429)**	**2,021**	**(9,853)**	**(828)**	**(785)**	**(25,874)**
Change in fair value	**9,068**	**(1,769)**	**(36,853)**	**(3,389)**	**339**	**(32,604)**
Reclassification to earnings (loss)	**-**	**(678)**	**3,092**	**831**	**(105)**	**3,140**
Balance sheet reclassification	**-**	**-**	**-**	**-**	**198**	**198**
Taxes	**(259)**	**327**	**10,312**	**772**	**(76)**	**11,076**
Balance – end of period	**(7,620)**	**(99)**	**(33,302)**	**(2,614)**	**(429)**	**(44,064)**

NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2010

	Translation adjustments	*Hedge Electricity price*	*Hedge Interest rate*	*Hedge Commodities*	*Hedge Foreign currency*	*Total*
Balance – beginning of period	-	5,019	(6,720)	-	(643)	(2,344)
Change in fair value	(6,578)	4,546	(13,663)	-	(4,732)	(20,427)
Reclassification to earnings (loss)	-	(6,369)	2,288	-	(373)	(4,454)
Balance sheet reclassification	-	-	-	-	4,848	4,848
Taxes	37	729	3,658	-	71	4,495
Balance – end of period	(6,541)	3,925	(14,437)	-	(829)	(17,882)

Note 12.

EXPENSES BY NATURE

OPERATING COSTS	THREE-MONTH PERIODS ENDED SEPTEMBER 30		NINE-MONTH PERIODS ENDED SEPTEMBER 30	
	2011	2010	**2011**	2010
Raw material and consumables	**16,390**	17,399	**52,716**	48,300
Maintenance and repairs	**3,134**	2,139	**10,287**	7,781
Salaries (a)	**3,923**	3,060	**13,458**	10,088
Transmission and selling fees	**83**	842	**1,419**	2,259
Property and school taxes	**751**	804	**3,275**	2,282
Leases and permits	**1,237**	546	**4,327**	1,349
Insurance	**540**	407	**1,841**	1,209
Other expenses	**2,081**	1,432	**6,074**	4,294
	28,139	26,629	**93,397**	77,562

(a) SALARIES - OPERATIONS	THREE-MONTH PERIODS ENDED SEPTEMBER 30		NINE-MONTH PERIODS ENDED SEPTEMBER 30	
	2011	2010	**2011**	2010
Wages and salaries	**3,631**	2,754	**12,375**	9,198
Employer social security costs	**103**	98	**394**	348
Other employee benefit costs	**189**	208	**689**	542
	3,923	3,060	**13,458**	10,088

ADMINISTRATION	THREE-MONTH PERIODS ENDED SEPTEMBER 30		NINE-MONTH PERIODS ENDED SEPTEMBER 30	
	2011	2010	**2011**	2010
Salaries (b)	**1,760**	1,667	**5,744**	4,984
Professional fees	**1,102**	(713)	**4,171**	3,599
Tax on capital and business taxes	**582**	341	**1,606**	1,226
Office expenses	**306**	356	**1,336**	1,115
Telecommunications and information technology	**259**	204	**665**	551
Advertising and donations	**139**	100	**490**	449
Other expenses	**190**	(113)	**194**	449
	4,338	1,842	**14,206**	12,373

(b) SALARIES - ADMINISTRATION	THREE-MONTH PERIODS ENDED SEPTEMBER 30		NINE-MONTH PERIODS ENDED SEPTEMBER 30	
	2011	2010	**2011**	2010
Wages and salaries	**1,336**	1,374	**4,358**	3,948
Employer social security costs	**5**	7	**52**	15
Other employee benefit costs	**153**	130	**484**	427
Share options granted to directors and employees	**266**	156	**850**	594
	1,760	1,667	**5,744**	4,984

Note 13.
FINANCING COSTS

	Note	THREE-MONTH PERIODS ENDED SEPTEMBER 30		NINE-MONTH PERIODS ENDED SEPTEMBER 30	
		2011	2010	**2011**	2010
Interest on long-term debt, net of the impact of interest rate swaps	(a)	**7,910**	6,608	**23,635**	15,916
Interest on convertible debentures		**4,713**	668	**14,110**	668
Interest income and other receivables		**(738)**	(208)	**(2,260)**	(600)
Amortization of financing costs		**611**	275	**1,672**	3,406
Other interest and banking fees		**409**	142	**714**	614
		12,905	7,485	**37,871**	20,004
Interest capitalized to sites under development		**(352)**	(3,290)	**(822)**	(6,926)
		12,553	4,195	**37,049**	13,078

Note:

(a) The interest expense under capital leases amounted to $76,000 and $244,000 for the three-month and nine-month periods ended September 30, 2011 ($101,000 and $357,000 for the comparable periods of 2010).

Note 14.
OTHER GAINS

	Note	THREE-MONTH PERIODS ENDED SEPTEMBER 30		NINE-MONTH PERIODS ENDED SEPTEMBER 30	
		2011	2010	**2011**	2010
Gain on sale of shares of AbitibiBowater	(a)	-	-	**(585)**	-
Gain on sale of Merlin-Buxton wind power project	(b)	-	-	**(1,792)**	-
Gain on sale of assets to a joint venture	(c)	**(582)**	-	**(582)**	-
Gain on sale of a subsidiary	(d)	-	-	-	(774)
		(582)	-	**(2,959)**	(774)

Notes:

(a) On February 1, 2011, Boralex sold, at a share price of $26.50, the 784,796 common shares of AbitibiBowater (“ABI”) given to the Corporation by ABI at the end of 2010 as compensation related to the partial settlement of a claim for approximately $83,000,000 payable by ABI to Boralex, as negotiated in connection with ABI’s C-36 filing. The sale of these shares in the market generated net proceeds of $20,758,000 and a gain on disposal of $585,000. Once all the claims filed by third parties against ABI are dealt with by the courts, Boralex could receive additional distributions in the form of shares. As at September 30, 2011, Boralex held 148,780 shares valued at $15.72.

b) On March 31, 2011, the Corporation sold the Merlin-Buxton wind power project in Ontario. Boralex had purchased the rights to this project in 2008. This decision was made due to the limited development potential of the site for Boralex. The transaction generated net proceeds of $4,200,000, of which $2,050,000 has been received as at September 30, 2011, resulting in a $1,792,000 gain.

(c) On September 15, 2011, the Corporation transferred $7,060,000 in assets to the Joint Venture in exchange for units of the Joint Venture. The units received were valued at $8,223,000, an amount exceeding the value of the transferred shares. Half of the difference, that is, Boralex's portion, was recognized as a reduction of the investment and the other portion of $582,000 was recorded as a gain through earnings (loss).

(d) On March 31, 2010, the Corporation sold a subsidiary that held the Bel Air wind farm in France for net proceeds of $878,000 (€639,000). This transaction resulted in the recognition of a $774,000 gain, calculated as follows:

Working capital	(1,182)
Property, plant and equipment	9,611
Long-term debt	(8,325)
Net value of the subsidiary sold	104
Net consideration	878
Gain on sale of subsidiary	774

Note 15.
SEASONAL AND OTHER CYCLICAL FACTORS

Operations and results for some of the Corporation's power stations are subject to seasonal cycles and other cyclical factors that vary by segment. However, the impact of seasonal variations differs, depending on whether the power stations have power sales contracts or not. For the 38 Boralex facilities that have long-term indexed fixed-price power sales contracts, seasonal cycles mainly affect the volume of power generated. The nine Boralex 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 power production volumes, also have an impact on prices obtained. Moreover, the price of natural gas, which is highly volatile, has a significant influence on electricity selling prices in the Northeastern U.S.

Generally, electricity consumption increases in the winter and summer, which corresponds to Boralex's first and third quarters. Historically, this means that, for those two periods, the power stations that do not have long-term power sales contracts obtain generally higher average prices. In addition, when deemed appropriate, the Corporation uses financial instruments for periods of up to three years for hedging purposes to fix part of the prices of power stations without long-term power sales contracts, which partially offsets the impact of seasonal cycles and other cyclical factors on prices. Also, as the wood-residue power stations that Boralex operates in the United States can regulate their output level, they usually generate more power during such peak periods.

Whether or not power stations have sales contracts, their output level is subject to the following seasonal cycles, depending on their power production method.

Wind — For all the 251 MW of Boralex's production covered by long-term power sales contracts, wind conditions are usually more favourable in the winter, which falls during Boralex's first and fourth quarters, both in France and Canada. However, in these periods there is a greater risk of lower production caused by weather conditions, such as icing. In general, in view of weather conditions described above, management estimates that approximately 60% of the annual production in its wind power segment is generated in the first and fourth quarters and 40% in the second and third quarters.

Hydroelectric — For the 15 Boralex hydroelectric facilities, power output depends on water flow, which in Canada 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 apart from the three hydroelectric power stations whose water flow is regulated upstream, Boralex's hydroelectric facilities do not have reservoirs that would permit water flow regulation during the year.

Wood-residue – Because the eight wood-residue power stations can regulate their production level as mentioned previously, they usually generate more power during such peak periods. For this reason, these power stations perform shutdowns for regular maintenance in spring or fall, which impacts their operating results for those periods.

Natural gas – Steam production at the two natural gas cogeneration power stations located in France and in Québec is covered by power sales contracts, and in addition, is quite stable from quarter to quarter, as it is driven by client demand, which is relatively predictable and steady. Moreover, the Kingsey Falls power station in Québec entered into two advantageous hedging contracts in 2010 for a two-year period to index the selling price of its steam production and fix its natural gas purchase price. The French 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 the cost of natural gas is 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, since 2005, the power station has been operating its cogeneration equipment during the five months from November to March.

Solar – The Corporation's only solar power station currently in operation is located in the south of France. For this 4.5 MW asset, for which Boralex benefits from a long-term power sales contract, sun conditions are usually more favourable in the spring and summer, which fall during Boralex's second and third quarters. In general, in view of weather conditions described above, management estimates that approximately 65% of the annual production at its solar power station will be generated in the second and third quarters and 35% in the first and fourth quarters.

In general, excluding potential foreign currency fluctuations, the expansion in the wind power segment, coupled with the addition of the Fund's power stations, should accentuate the Corporation's trend of generating more revenues and earnings during the first and fourth quarters.

Note 16.

SEGMENTED INFORMATION

The Corporation's power stations are grouped into five distinct segments—wind, hydroelectric, wood-residue thermal, natural gas thermal and solar power—and are engaged mainly in power generation. The classification of these segments is based on the different cost structures relating to each of the five types of power stations.

In order to assess the performance of its assets and reporting segments, Boralex uses EBITDA as a performance measure. Management believes that this measure is a financial indicator widely used by investors to assess operating performance.

This non-GAAP measure is drawn primarily from the unaudited interim condensed consolidated financial statements, but does not have a standardized meaning under IFRS; accordingly, it may not be comparable to similarly named measures used by other companies.

Investors should not view EBITDA as an alternative measure to, for example, net earnings (loss), or as a measure of operating results, which are IFRS measures.

EBITDA is reconciled to the most comparable IFRS measure, namely, net earnings (loss) attributable to shareholders of Boralex, in the following table:

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2011	2010	**2011**	2010
Net earnings (loss) attributable to shareholders of Boralex	**(7,208)**	34,730	**(5,304)**	31,992
Non-controlling interests	**(333)**	(370)	**(761)**	(277)
Income tax recovery	**(4,804)**	(10,801)	**(4,157)**	(8,249)
Net loss (gain) on financial instruments	**68**	214	**477**	(125)
Foreign exchange loss (gain)	**(5,377)**	361	**(3,340)**	(69)
Financing costs	**12,553**	4,195	**37,049**	13,078
Other gains	**(582)**	-	**(2,959)**	(774)
Net gain on deemed disposal of investment in the Fund	**-**	(25,692)	**-**	(25,692)
Impairment of property, plant and equipment	**6,503**	-	**6,503**	-
Amortization	**15,957**	8,374	**48,790**	24,314
EBITDA	**16,777**	11,011	**76,298**	34,198

Note 16. Segmented information (Cont'd)

INFORMATION BY OPERATING SEGMENT

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2011	2010	**2011**	2010
Power generation (MWh)				
Wind power stations	**94,840**	66,722	**371,771**	234,013
Hydroelectric power stations	**148,596**	33,300	**507,091**	107,910
Wood-residue thermal power stations	**287,369**	339,903	**837,822**	925,429
Natural gas thermal power stations	**39,397**	7,953	**167,024**	30,460
Solar power station	**1,942**	-	**2,210**	-
	572,144	447,878	**1,885,918**	1,297,812
Revenues from energy sales				
Wind power stations	**11,328**	7,802	**44,794**	28,446
Hydroelectric power stations	**11,615**	2,784	**40,337**	8,161
Wood-residue thermal power stations	**16,990**	28,072	**63,843**	81,184
Natural gas thermal power stations	**9,300**	3,438	**36,127**	12,037
Solar power station	**887**	-	**1,011**	-
	50,120	42,096	**186,112**	129,828
EBITDA				
Wind power stations	**8,160**	5,628	**35,217**	22,159
Hydroelectric power stations	**8,513**	1,473	**30,237**	4,528
Wood-residue thermal power stations	**(585)**	7,135	**7,525**	21,587
Natural gas thermal power stations	**3,694**	254	**14,892**	2,186
Solar power station	**810**	-	**931**	-
Corporate and eliminations	**(3,815)**	(3,479)	**(12,504)**	(16,262)
	16,777	11,011	**76,298**	34,198
Additions to property, plant and equipment				
Wind power stations	**3,362**	72,250	**12,094**	133,592
Hydroelectric power stations	**908**	1,835	**1,239**	2,250
Wood-residue thermal power stations	**725**	334	**3,368**	2,392
Natural gas thermal power stations	**1,246**	1	**1,250**	10
Solar power station	**112**	251	**11,545**	505
Corporate and eliminations	**245**	(1,130)	**543**	(927)
	6,598	73,541	**30,039**	137,822

	As at September 30, 2011	As at December 31, 2010
Total assets		
Wind power stations	**491,938**	536,135
Hydroelectric power stations	**386,016**	364,548
Wood-residue thermal power stations	**146,952**	162,070
Natural gas thermal power stations	**35,546**	37,974
Solar power station	**21,707**	7,607
Corporate and eliminations	**141,916**	137,685
	1,224,075	1,246,019
Long-term assets		
Wind power stations	**462,048**	469,707
Hydroelectric power stations	**348,489**	350,773
Wood-residue thermal power stations	**126,621**	137,376
Natural gas thermal power stations	**17,635**	22,619
Solar power station	**20,169**	6,723
Corporate and eliminations	**65,910**	53,600
	1,040,872	1,040,798

Note 16. Segmented information (Cont'd)

INFORMATION BY GEOGRAPHIC SEGMENT

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2011	2010	**2011**	2010
Power generation (MWh)				
Canada	**186,271**	44,116	**670,834**	114,172
United States	**320,537**	353,021	**977,911**	996,127
Europe	**65,336**	50,741	**237,173**	187,513
	572,144	447,878	**1,885,918**	1,297,812
Revenues from energy sales				
Canada	**18,746**	4,828	**75,560**	13,405
United States	**20,349**	29,187	**73,199**	85,757
Europe	**11,025**	8,081	**37,353**	30,666
	50,120	42,096	**186,112**	129,828
EBITDA				
Canada	**5,810**	(430)	**32,701**	(3,596)
United States	**5,122**	7,689	**24,446**	23,642
Europe	**5,845**	3,752	**19,151**	14,152
	16,777	11,011	**76,298**	34,198
Additions to property, plant and equipment				
Canada	**4,932**	30,492	**13,378**	72,246
United States	**646**	683	**1,639**	3,120
Europe	**1,020**	42,366	**15,022**	62,456
	6,598	73,541	**30,039**	137,822

	As at September 30, 2011	As at December 31, 2010
Total assets		
Canada	**621,618**	634,043
United States	**306,743**	301,921
Europe	**295,714**	310,055
	1,224,075	1,246,019
Long-term assets		
Canada	**517,346**	529,787
United States	**247,251**	263,094
Europe	**276,275**	247,917
	1,040,872	1,040,798

Note 17.
COMMITMENTS

In addition to the transactions related to the Joint Venture discussed in note 5, the Corporation entered into the following transactions:

In connection with the wind power projects in Ontario and for certain sites in France, the Corporation entered into an agreement in June 2011 to purchase equipment. As at September 30, 2011, the total cost of the net commitment amounted to $488,000 (US$470,000).

In addition, the Corporation undertook in June 2011 to sell 100% of its solar power output under a long-term contract maturing in 2031. The contract provides for annual indexation to indices relating to hourly wage costs and industry activity levels.

Note 18.

SUBSEQUENT EVENT

SALE OF U.S. WOOD-RESIDUE POWER STATIONS

On November 7, 2011, the Corporation entered into a firm agreement with ReEnergy Holdings LLC pertaining to the sale of its five wood-residue power stations, with a total installed capacity of 186 MW, for a consideration of approximately US$93,000,000 (subject to the typical adjustments to working capital subsequent to the closing date), with an after-tax amount of approximately US$81,000,000.

This decision was taken following a thorough review of strategic considerations by the Corporation's management and Board of Directors. The transaction provides Boralex with the best means to pursue its growth objectives in its various renewable energy segments, and the Corporation believes it to be in its shareholders' best interests.

Under the terms of the transaction, Boralex will benefit from contingent consideration linked to Renewal Energy Certificate ("REC") sales by the five power stations in the form of a 50% share in REC sale proceeds in excess of a set price threshold for 2012, 2013 and 2014.

The sale is expected to close by the end of the year. The transaction is subject to the typical closing date adjustments, including regulatory approval and limited and final due diligence. The closing is not subject to financing.

Note 19.

NET EARNINGS (LOSS) PER SHARE

Basic and diluted net earnings (loss) per share is detailed as follows:

	Three-month periods ended September 30		Nine-month periods ended September 30	
(in thousands of Canadian dollars, except per share amounts and number of shares)	**2011**	2010	**2011**	2010
Basic net earnings (loss) attributable to shareholders of Boralex	**(7,208)**	34,730	**(5,304)**	31,992
Diluted net earnings (loss) attributable to shareholders of Boralex	**(7,208)**	35,197	**(5,304)**	32,459
Weighted average number of shares	**37,745,598**	37,740,921	**37,761,692**	37,740,921
Dilutive effect of convertible debentures	**-**	2,350,659	**-**	783,553
Dilutive effect of stock options	**-**	95,389	**-**	133,643
Adjusted weighted average number of shares	**37,745,598**	40,186,969	**37,761,692**	38,658,117
Basic net earnings (loss) per share	**$(0.19)**	$0.92	**$(0.14)**	$0.85
Diluted net earnings (loss) per share	**$(0.19)**	$0.87	**$(0.14)**	$0.84
Convertible debentures excluded from diluted net earnings (loss) per share calculation due to their anti-dilutive effect	**19,589,904**	-	**19,589,904**	-
Stock options excluded from diluted net earnings (loss) per share calculation due to their anti-dilutive effect	**1,467,416**	831,722	**1,183,955**	813,701

Note 20.
ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Corporation's consolidated financial statements for the three-month and nine-month periods ended September 30, 2011 are the third consolidated financial statements prepared in accordance with IFRS.

In preparing these consolidated financial statements in accordance with IFRS 1, the Corporation has applied, at the transition date, the mandatory exceptions and some of the elective exemptions from full retrospective application of IFRS. The Corporation's transition date is January 1, 2010.

The mandatory exceptions and elective exemptions used, as of the date of transition, are presented in the interim financial statements of the Corporation for the period ended March 31, 2011.

IMPACT OF TRANSITION TO IFRS

The differences between Canadian GAAP ("previous GAAP") and IFRS identified as having a significant effect on the Corporation's consolidated financial performance and financial position for the three-month and nine-month periods ended September 30, 2010 are summarized in the following reconciliation tables.

GENERAL PRESENTATION OF THE CONSOLIDATED STATEMENT OF EARNINGS (LOSS)

As part of its IFRS conversion process, the Corporation has carried out a comprehensive review of the overall presentation of items in its consolidated statement of earnings (loss). To facilitate understanding of other reconciliation items specific to IFRS conversion, the reconciliations of the consolidated statements of earnings (loss) for the three-month and nine-month periods ended September 30, 2010 provided below have been prepared according to the former presentation. However, development costs have been reclassified on a separate line of *Operating costs* to facilitate the reconciliation of earnings (loss) with the new presentation.

STATEMENT OF CASH FLOWS

Under Canadian GAAP, interest paid and income taxes paid included in the determination of net earnings were disclosed separately as supplementary cash flow information. Under IFRS, interest paid and income taxes paid are included in the body of the statement of cash flows as separate line items under *Operating activities*.

Note 20. Adoption of International Financial Reporting Standards (Cont'd)

Consolidated Statements of Earnings - Reconciliation

(in thousands of Canadian dollars, except per share amounts and number of shares) (unaudited)	Note	Canadian GAAP	IFRS adjustments	Three-month period ended September 30, 2010 IFRS
Revenues from energy sales		42,096	-	**42,096**
Operating costs		26,629	-	**26,629**
		15,467	-	**15,467**
Share in loss of the Fund	(e)	(1,991)	36	**(1,955)**
Management revenues from the Fund		1,158	-	**1,158**
Other income		144	-	**144**
		14,778	36	**14,814**
OTHER EXPENSES				
Management and operation of the Fund		1,176	-	**1,176**
Development		785	-	**785**
Administrative	(f)	1,966	(124)	**1,842**
		3,927	(124)	**3,803**
OPERATING INCOME		10,851	160	**11,011**
Amortization	(d)	8,761	(387)	**8,374**
Foreign exchange loss	(g)	532	(171)	**361**
Net loss on financial instruments		214	-	**214**
Financing costs		4,195	-	**4,195**
Net gain on deemed disposal of investment in the Fund	(i)	(16,078)	(9,614)	**(25,692)**
		(2,376)	(10,172)	**(12,548)**
EARNINGS BEFORE INCOME TAXES AND NON-CONTROLLING INTERESTS		13,227	10,332	**23,559**
Income tax recovery	(d), (f), (i)	(13,495)	2,694	**(10,801)**
Net earnings including non-controlling interests		26,722	7,638	**34,360**
Non-controlling interests		370	-	**370**
NET EARNINGS ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX		27,092	7,638	**34,730**
Net earnings per Class A share (basic)		$0.72		**$0.92**
Net earnings per Class A share (diluted)		$0.69		**$0.88**
Weighted average number of Class A shares outstanding (basic)		37,740,921		**37,740,921**
Weighted average number of Class A shares outstanding (diluted)		40,186,969		**40,186,969**

Note 20. Adoption of International Financial Reporting Standards (Cont'd)

Consolidated Statements of Earnings - Reconciliation

(in thousands of Canadian dollars, except per share amounts and number of shares) (unaudited)	Note	Canadian GAAP	IFRS adjustments	Nine-month period ended September 30, 2010 IFRS
Revenues from energy sales		129,828	-	**129,828**
Operating costs		77,562	-	**77,562**
		52,266	-	**52,266**
Share in loss of the Fund	(e)	(3,251)	103	**(3,148)**
Management revenues from the Fund		4,437	-	**4,437**
Other income		598	-	**598**
		54,050	103	**54,153**
OTHER EXPENSES				
Management and operation of the Fund		3,995	-	**3,995**
Development		3,587	-	**3,587**
Administrative	(f)	12,743	(370)	**12,373**
		20,325	(370)	**19,955**
OPERATING INCOME		33,725	473	**34,198**
Amortization	(d)	24,512	(198)	**24,314**
Foreign exchange loss (gain)	(g)	1,562	(1,631)	**(69)**
Net gain on financial instruments		(125)	-	**(125)**
Financing costs		13,078	-	**13,078**
Net gain on deemed disposal of investment in the Fund	(i)	(16,078)	(9,614)	**(25,692)**
Gain on sale of subsidiary		(774)	-	**(774)**
		22,175	(11,443)	**10,732**
EARNINGS BEFORE INCOME TAXES AND NON-CONTROLLING INTERESTS		11,550	11,916	**23,466**
Income tax recovery	(d), (e), (f), (i)	(10,815)	2,566	**(8,249)**
Net earnings including non-controlling interests		22,365	9,350	**31,715**
Non-controlling interests		277	-	**277**
NET EARNINGS ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX		22,642	9,350	**31,992**
Net earnings per Class A share (basic)		$0.60		**$0.85**
Net earnings per Class A share (diluted)		$0.60		**$0.84**
Weighted average number of Class A shares outstanding (basic)		37,740,921		**37,740,921**
Weighted average number of Class A shares outstanding (diluted)		38,658,117		**38,658,117**

Note 20. Adoption of International Financial Reporting Standards (Cont'd)

Consolidated Statements of Comprehensive Income - Reconciliation

(in thousands of Canadian dollars) (unaudited)	Note	Canadian GAAP	IFRS adjustments	Three-month period ended September 30, 2010 IFRS
Net earnings for the period including non-controlling interests		26,722	7,638	**34,360**
Other comprehensive income (loss)				
TRANSLATION ADJUSTMENTS				
Unrealized foreign exchange loss on translation of financial statements of self-sustaining foreign operations		(162)	(17)	**(179)**
Reclassification to net earnings of a realized foreign exchange loss related to the reduction of net investment in self-sustaining foreign operations	(g)	171	(171)	-
Share of cumulative translation adjustments of the Fund		(216)	-	**(216)**
Taxes		(123)	-	**(123)**
CASH FLOW HEDGES				
Change in fair value of financial instruments		228	-	**228**
Hedging items realized and recognized in net loss		(1,076)	-	**(1,076)**
Hedging items realized and recognized in balance sheet		2,711	-	**2,711**
Taxes		545	-	**545**
		2,078	(188)	**1,890**
Comprehensive income for the period including non-controlling interests		28,800	7,450	**36,250**
Less: Loss for the period attributable to non-controlling interests		323	-	**323**
Comprehensive income for the period attributable to shareholders of Boralex		29,123	7,450	**36,573**

Note 20. Adoption of International Financial Reporting Standards (Cont'd)

Consolidated Statements of Comprehensive Income - Reconciliation

(in thousands of Canadian dollars) (unaudited)	Note	Canadian GAAP	IFRS adjustments	**Nine-month period ended September 30, 2010** IFRS
Net earnings for the period including non-controlling interests		22,365	9,350	**31,715**
Other comprehensive income (loss)				
TRANSLATION ADJUSTMENTS				
Unrealized foreign exchange loss on translation of financial statements of self-sustaining foreign operations		(6,556)	3	**(6,553)**
Reclassification to net earnings of a realized foreign exchange loss related to the reduction of net investment in self-sustaining foreign operations	(g)	1,631	(1,631)	-
Taxes		37	-	**37**
CASH FLOW HEDGES				
Change in fair value of financial instruments		(13,849)	-	**(13,849)**
Hedging items realized and recognized in net loss		(4,454)	-	**(4,454)**
Hedging items realized and recognized in balance sheet		4,848	-	**4,848**
Taxes		4,458	-	**4,458**
		(13,885)	(1,628)	**(15,513)**
Comprehensive income for the period including non-controlling interests		8,480	7,722	**16,202**
Less: Loss for the period attributable to non-controlling interests		252	-	**252**
Comprehensive income for the period attributable to shareholders of Boralex		8,732	7,722	**16,454**

Note 20. Adoption of International Financial Reporting Standards (Cont'd)

Consolidated Statements of Equity - Reconciliation

(in thousands of Canadian dollars) (unaudited)	Note	Adjustments					As at September 30, 2010
		Equity component of convertible debentures	Contributed surplus	Retained earnings	Earnings (loss)	Comprehensive income (loss)	Total equity
Total equity under Canadian GAAP							**459,302**
IFRS ADJUSTMENTS:							
Stock-based compensation over the vesting period	(f)	-	(375)	7	468	-	**100**
Amortization of property, plant and equipment and intangible assets	(d)	-	-	(579)	128	-	**(451)**
Investment in the Fund	(e), (i)	-	-	(7,151)	7,151	-	-
Foreign exchange impact:							
Reversal of cumulative translation differences for all foreign operations as at the date of transition	(c)	-	-	(44,515)	-	44,515	-
Reversal of reclassifications of translation adjustments to net earnings	(g)	-	-	-	1,631	(1,631)	-
Business combinations – additional consideration	(a)	-	-	(2,092)	-	-	**(2,092)**
Employee benefits – actuarial loss	(b)	-	-	(32)	-	-	**(32)**
Taxes on convertible debentures and imputed interest	(h)	(4,698)	-	-	-	-	**(4,698)**
Other		-	(1)	-	(28)	3	**(26)**
		(4,698)	**(376)**	**(54,362)**	**9,350**	**42,887**	**(7,199)**
Total equity under IFRS							**452,103**

Note 20. Adoption of International Financial Reporting Standards (Cont'd)

NOTES TO THE RECONCILIATIONS

(a) Business Combinations

Under Canadian GAAP, additional consideration related to business combinations was recognized as an adjustment to the acquisition entry when such consideration was paid. Under IFRS, additional consideration is recognized at fair value at the time of the acquisition. Subsequent changes are recognized through income for the period.

On January 1, 2010, the Corporation recognized an additional consideration payable in the amount of $2,842,000, including related taxes of $750,000, in connection with the acquisition of the Thames River wind power sites in Ontario. The additional consideration for the amount of $2,092,000 was charged to *Retained earnings*.

(b) Employee Benefits

In accordance with the elective exemption provided for in IFRS 1, the Corporation has elected to recognize all actuarial gains and losses not recognized in its defined benefit pension plans. On January 1, 2010, the Corporation recognized actuarial losses in the amount of $43,000, including related taxes of $11,000. The amount of $32,000 was charged to *Retained earnings*.

(c) Cumulative Translation Adjustments Included Under *Accumulated Other Comprehensive Income (loss)*

In accordance with the elective exemption provided for in IFRS 1, the Corporation elected to reset at zero all cumulative translation gains and losses related to its foreign operations. On January 1, 2010, an amount of $44,515,000 was thus transferred to *Retained earnings*.

(d) Property, Plant and Equipment and Intangible Assets

Impairment Test

Under Canadian GAAP, an impairment loss was recognized only when the net carrying amount of an asset exceeds total undiscounted future cash flows. Under IFRS, an impairment loss is recognized only when the net carrying amount of an asset exceeds total discounted future cash flows. On January 1, 2010, the Fund tested its property, plant and equipment and power sales contracts for impairment. Subsequent to this test, no impairment was recognized.

Amortization Method

The Québec power stations with long-term sales contracts are amortized by component using the straight-line method according to IFRS. Under GAAP, they were amortized using the compound interest method at a rate of 3%. In addition, new components were identified according to IFRS and amortized separately.

These adjustments have the following impacts:

As at January 1, 2010:	
Property, plant and equipment	$(832,000)
Future income tax liabilities	$(253,000)
Retained earnings	$(579,000)
For the three-month period ended September 30, 2010:	
Property, plant and equipment	$387,000
Future income tax liabilities	$150,000
Retained earnings	$237,000
Amortization expense	$(387,000)
Income tax expense	$150,000

Note 20. Adoption of International Financial Reporting Standards (Cont'd)

For the nine-month period ended September 30, 2010:

Property, plant and equipment	$198,000
Future income tax liabilities	$70,000
Retained earnings	$128,000
Amortization expense	$(198,000)
Income tax expense	$70,000

(e) Investment

Impairment Test

Under Canadian GAAP, an impairment loss is recognized only when the net carrying amount of an asset exceeds total undiscounted future cash flows. Under IFRS, an impairment loss is recognized only when the net carrying amount of an asset exceeds total discounted future cash flows. On January 1, 2010, the Fund tested its property, plant and equipment and intangible assets for impairment, based on these CGUs. Subsequently, the Fund recognized an impairment loss of $55,072,000 for the property, plant and equipment at the Senneterre power station. As the Corporation's share in the Fund was 23%, the share of the impairment loss is equivalent to a $12,832,000 decrease in the investment. The related taxes amounted to $3,388,000.

This impairment charge resulted from the fact that discounted future cash flows of this power station over the long term did not match the current value of the property plant and equipment. To perform the impairment test, the recoverable amount of the Senneterre power station was determined using the calculated value in use. The value in use was calculated using cash flow projections based on financial forecasts up to the expiry date of the power sales contract, which is 2026. Pre-tax cash flows were discounted using a pre-tax discount rate of 12.14%.

Amortization Method

The Fund changed its accounting treatment for property, plant and equipment and intangible assets. The Québec power stations with long-term sales contracts are amortized by component using the straight-line method according to IFRS while, under Canadian GAAP, they were amortized using the compound interest method at a rate of 3%. In addition, new components were identified according to IFRS and amortized separately. As at January 1, 2010, the impact of these changes, net of the deferred gain, was a $3,115,000 increase in the investment in the Fund, based on the Corporation's 23.3% share in the Fund. The related taxes amounted to $822,000.

These adjustments following the impairment test and the change in the amortization method have the following impacts:

As at January 1, 2010:

Investment	$(9,717,000)
Future income tax liabilities	$(2,566,000)
Retained earnings	$(7,151,000)

For the three-month period ended September 30, 2010:

Investment	$36,000
Retained earnings	$36,000
Share in earnings of the Fund	$(36,000)

For the nine-month period ended September 30, 2010:

Investment	$103,000
Future income tax liabilities	$17,000
Retained earnings	$86,000
Share in earnings of the Fund	$(103,000)
Income tax expense	$17,000

Note 20. Adoption of International Financial Reporting Standards (Cont'd)

(f) Stock-Based Compensation

Under GAAP, the Corporation recognized its stock-based compensation expense on a straight-line basis while IFRS requires the expense to be recognized over the vesting period of each tranche.

These adjustments have the following impacts:

As at January 1, 2010:	
Future income tax liabilities	$(2,000)
Contributed surplus	$(5,000)
Retained earnings	$7,000
For the three-month period ended September 30, 2010:	
Future income tax liabilities	$(33,000)
Contributed surplus	$(124,000)
Retained earnings	$157,000
Compensation expense	$(124,000)
Income tax expense	$(33,000)
For the nine-month period ended September 30, 2010:	
Future income tax liabilities	$(98,000)
Contributed surplus	$(370,000)
Retained earnings	$468,000
Compensation expense	$(370,000)
Income tax expense	$(98,000)

(g) Foreign Exchange Impact

Under Canadian GAAP, when an entity made a partial repayment of long-term intercompany advances considered as part of its net investment in a foreign subsidiary, a proportional amount of cumulative translation adjustments was recognized through earnings for the period. Under IFRS, an entity recognizes cumulative translation adjustments through earnings for the period only if there is a disposal of substantially all of its net investment in the foreign subsidiary.

These adjustments have the following impacts:

For the three-month period ended September 30, 2010:	
Retained earnings	$171,000
Accumulated other comprehensive loss	$(171,000)
Foreign exchange gain	$(171,000)
For the nine-month period ended September 30, 2010:	
Retained earnings	$1,631,000
Accumulated other comprehensive loss	$(1,631,000)
Foreign exchange gain	$(1,631,000)

Note 20. Adoption of International Financial Reporting Standards (Cont'd)

(h) Tax on Convertible Debentures and Imputed Interest

Under Canadian GAAP, temporary differences between the liability component of convertible debentures and the underlying tax basis are not recognized as future income taxes. Under IFRS, future income taxes are recognized for such temporary differences. Accordingly, future income taxes were recognized in respect of the equity component of convertible debentures.

These adjustments have the following impacts:

For the three-month and nine-month periods ended September 30, 2010:	$4,698,000
Future income tax liabilities	$(4,698,000)
Equity component of convertible debentures	

(i) Investment in the Fund

The Fund's earnings (loss) have been consolidated as of September 15, 2010 with a share of non-controlling interests up to October 31, 2010. The acquisition of the Fund was carried out in two steps: (1) deemed disposal of the Corporation's interest in the Fund and calculation of the gain on the disposal, and (2) acquisition of all the units of the Fund at fair value and finalizing the PPA. The transactions under step 1 were recalculated under IFRS. The results of step 2 only impacted the PPA as at December 31, 2010. For more details, see note 4.

These adjustments have the following impacts:

For the nine-month period ended September 30, 2010:

Deemed disposal of Boralex's investment in the Fund and calculation of the gain on disposal:

Investment (reversal of IFRS adjustments)	$(9,614,000)
Future income tax liabilities	$2,577,000
Retained earnings	$7,037,000
Net gain on deemed disposal of investment in the Fund	$(9,614,000)
Income tax expense	$2,577,000

Profile

Boralex is a power producer whose core business involves developing and operating renewable energy power stations with a total installed capacity of more than 700 MW in Canada, the Northeastern United States and France. Boralex is also committed under power development projects, both independently and with European and Canadian partners, to add approximately 400 MW of power.

With nearly 350 employees, Boralex is known for its diversified expertise and in-depth experience in four power generation types — wind, hydroelectric, thermal and more recently, solar.

Boralex's shares and convertible debentures are listed on the Toronto Stock Exchange under the ticker symbols BLX and BLX.DB, respectively.

More information is available at www.boralex.com or www.sedar.com.

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