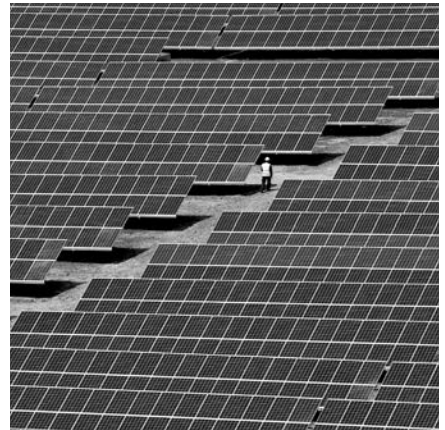
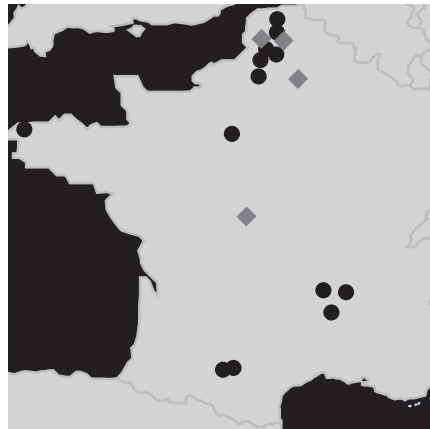


**BORALEX**  
energy creator

INTERIM  
REPORT  
AS AT MARCH 31, 2013

1



# PROFILE

Boralex is a power producer whose core business is dedicated to the development and the operation of renewable energy power stations. Currently, the Corporation operates an asset base with an **installed capacity of almost 500 MW** in Canada, the Northeastern United States and France. Boralex is also committed under power development projects, both independently and with Canadian and European partners, to add approximately **550 MW** of power that will be put in service by the end of 2015. With more than **200 employees**, Boralex is known for its diversified **expertise** and in-depth **experience** in four power generation types — wind, hydroelectric, thermal and solar. Boralex's shares and convertible debentures are listed on the Toronto Stock Exchange under the ticker symbols BLX and BLX.DB, respectively.

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# Interim Management's Discussion and Analysis 1

As at March 31, 2013

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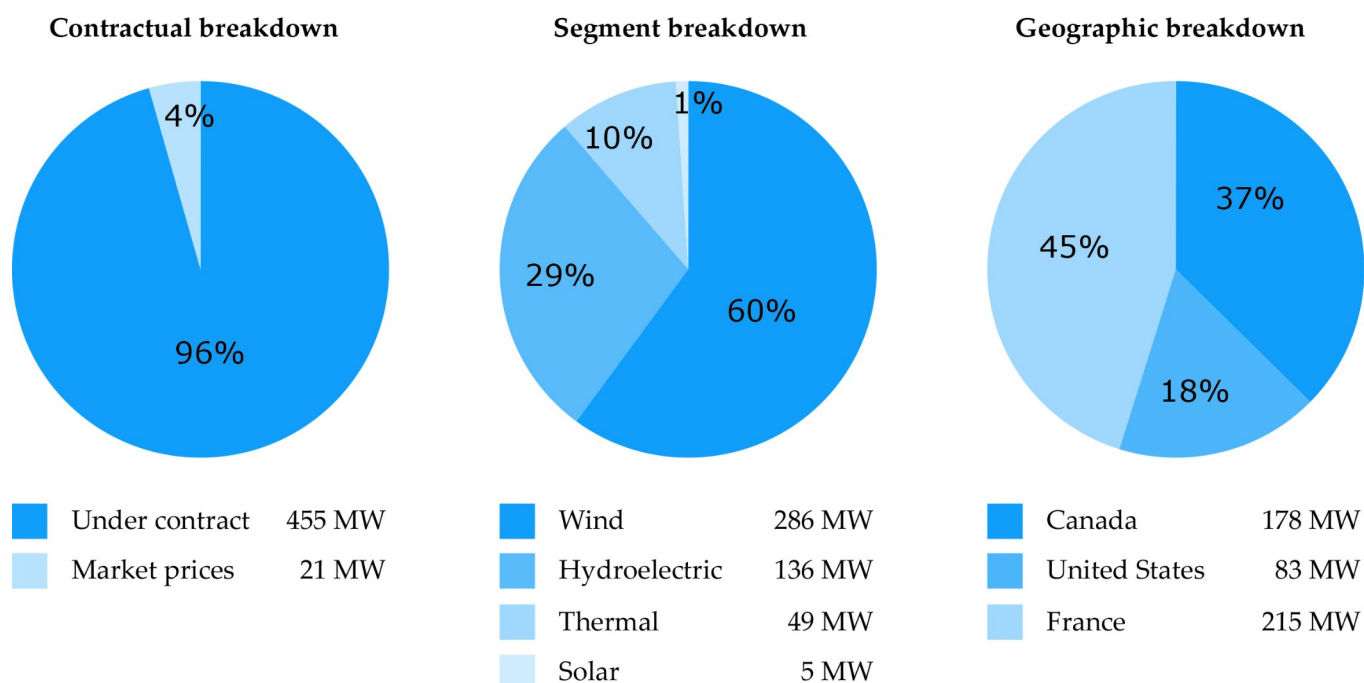
# Description of Business

Boralex Inc. ("Boralex" or the "Corporation") is a power producer whose core business is dedicated to the development and the operation of renewable energy power stations. Currently, the Corporation operates an asset base with a total installed capacity of nearly 500 megawatts ("MW") in Canada, the Northeastern United States and France. Boralex is also committed under power development projects, both independently and with Canadian and European partners, to add 550 MW of power that will be put in service by the end of 2015. Nearly all of the Corporation's operating assets as well as all the sites under development benefit from long-term power sales contracts with fixed and indexed prices.

With more than 200 employees, Boralex is known for its diversified expertise and in-depth experience in four power generation types:

- Boralex currently operates a **286 MW wind power** portfolio in Canada and France. In recent years, Boralex has become one of the most experienced wind power producers in France, where it currently generates 196 MW of power with an additional 88 MW in total in projects under construction. Boralex has also entered the wind power market in Canada with 90 MW of installed capacity in Ontario. In Québec, the Corporation is working independently or with partners on the development of wind farms with a total installed capacity of 440 MW, slated for commissioning by the end of 2015. These projects include the Seigneurie de Beaupré wind farms, which is currently Canada's largest wind farm under development. Phase 1 of this project with a total installed capacity of 272 MW will be commissioned at the end of 2013.
- Boralex has nearly two decades of expertise in **hydroelectric power** generation. The Corporation owns and operates 136 MW of hydro assets in the United States, Québec and British Columbia, and will commission a new 22 MW power station in British Columbia in early 2014.
- Boralex owns two **thermal power** stations with a total installed capacity of 49 MW, comprising a 14 MW natural gas cogeneration power station in France and a 35 MW wood-residue power station in Québec.
- Boralex diversified its energy portfolio with the addition of a **solar power** facility with an installed capacity of 5 MW located in France.

The following charts provide information about the makeup of the Corporation's energy portfolio as at March 31, 2013.



**TOTAL: 476 MW**

Boralex's shares, 35% of which are held by Cascades Inc. ("Cascades"), and convertible debentures are listed on the Toronto Stock Exchange under the ticker symbols BLX and BLX.DB, respectively.

# Introductory Comments to the Interim Management's Discussion and Analysis

## General

This interim Management's Discussion and Analysis ("MD&A") reviews the operating results for the three-month period ended March 31, 2013, compared with the corresponding period of 2012, and the cash flows for the three-month period ended March 31, 2013 compared with the corresponding period of 2012, as well as the Corporation's financial position as at March 31, 2013 compared with December 31, 2012. 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, 2012.

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

In this 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 MD&A reflects all material events up to May 7, 2013, the date on which the Board of Directors approved the interim MD&A and the unaudited interim condensed consolidated financial statements.

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, as of January 1, 2011, constitute Canadian generally accepted accounting principles ("GAAP") under Part I of the CICA Handbook. The unaudited interim condensed consolidated financial statements included in this interim MD&A have been prepared according to IFRS applicable to the preparation of interim financial statements, IAS 34, *Interim Financial Reporting*, and contain comparative figures for 2012.

This interim MD&A also contains information derived from non-IFRS measures, as discussed under *Non-IFRS Measures*.

All financial information presented in this MD&A, 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 May 7, 2013.

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 in *Outlook and Development Objectives* and *Risk Factors and Uncertainties* in the Corporation's Annual Report for the year ended December 31, 2012.

Unless otherwise specified by the Corporation, the forward-looking statements do not take into account the possible impact on its activities, transactions, non-recurring items or other 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.

# Growth Strategy and Key Developments in Recent Fiscal Years

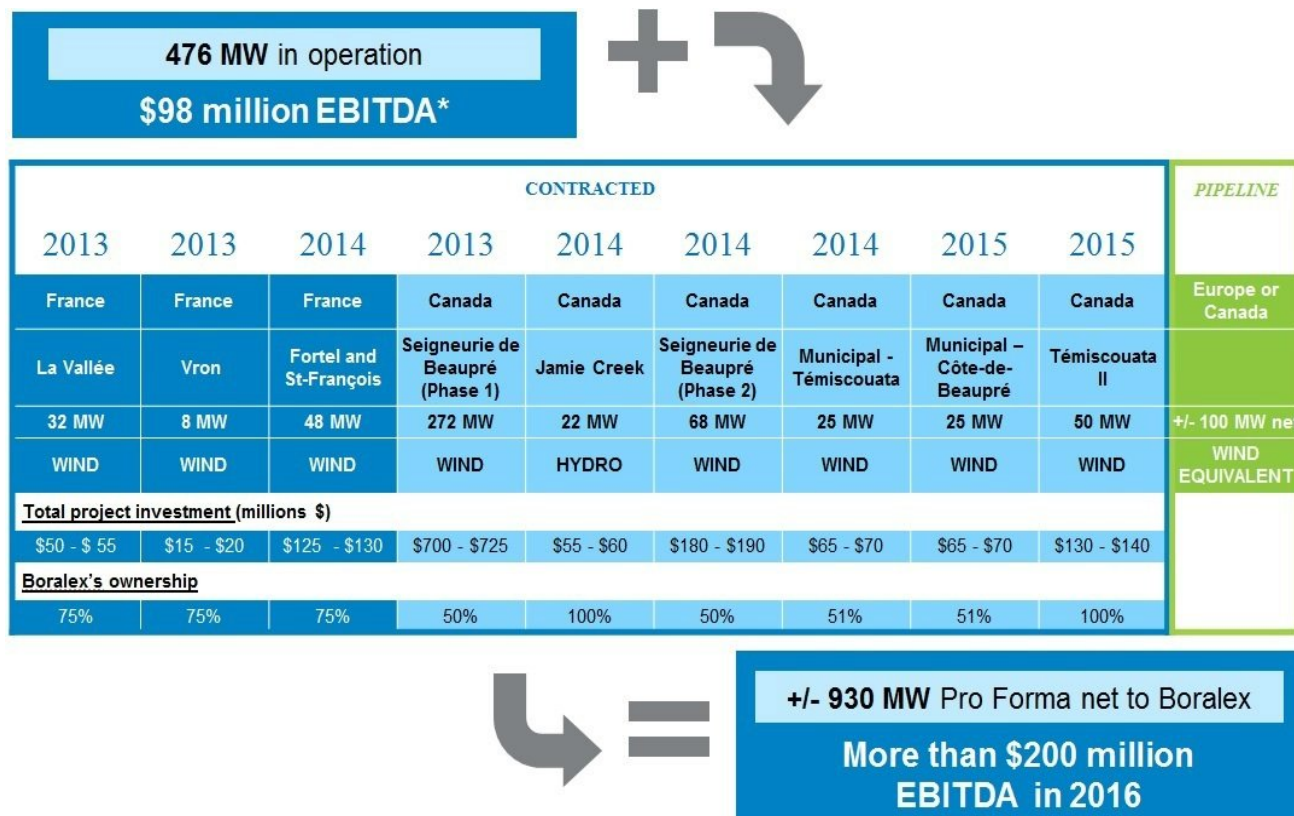
Over the past few years, Boralex has strived to lay the foundations of above-average, balanced and sustainable growth by pursuing its key goals of enhancing the value of its asset base, securing steady and predictable revenue and cash flow streams, and lowering its business risk exposures. As a result, the Corporation has made the following strategic choices:

- Target the acquisition and development of renewable energy assets covered by long-term indexed fixed-price power sales contracts;
- Prioritize renewable energy assets with above-average profit margins, particularly wind, hydroelectric and solar power; and
- Focus development initiatives on Canada and France.

Key achievements under Boralex's growth and positioning strategy since fiscal 2009 are discussed below.

- The **wind power segment expanded significantly** with the installed capacity operated by Boralex increasing to 286 MW from 108 MW in December 2008. These operating assets located in France (196 MW) and Canada (90 MW) are fully covered by long-term power sales contracts. In addition, the Corporation is currently developing, independently or with partners, various wind power projects totalling 528 MW, comprising 88 MW in France and 440 MW in Canada, slated for commercial commissioning from the end of fiscal 2013 to the end of fiscal 2015. Boralex's total net interest in all these projects, which are all covered by long-term power sales contracts, amounts to 334 MW. Backed by its significant financial resources, the Corporation is currently pursuing other acquisition targets consisting of wind power assets in operation and under development in Canada and France;
- **All of the trust units of the Boralex Power Income Fund (the "Fund") were acquired** in November 2010, increasing Boralex's energy portfolio by a fully contracted installed capacity of 190 MW (131 MW, excluding the Dolbeau power station sold in April 2012 and the Kingsey Falls thermal power station that discontinued operations on November 30, 2012), mainly comprising, at acquisition, nearly 100 MW in excellent hydroelectric assets;
- **Boralex entered the solar power market** in June 2011 with the commissioning of its first solar power station with an installed capacity of 5 MW located in Southwestern France. To-date, the facility has met management expectations with its contribution while allowing Boralex to develop expertise in this segment; and
- **The relative weight of the thermal power segment and assets with non-contracted capacity in Boralex's energy portfolio was scaled back**, mainly following the sale in December 2011 of U.S. wood-residue power stations with a total installed capacity of 186 MW, which were not covered by sales contracts and sold their electricity in the Northeastern United States open market. In line with Boralex's target positioning, the cash proceeds of approximately \$81 million (net of taxes) from this sale were partly used to acquire operating assets and development projects in the wind and hydroelectric power segments. Also, in 2011 and 2012, two thermal power stations located in Québec discontinued their operations, namely the Dolbeau wood-residue power station and the Kingsey Falls natural gas power station.

## Growth Path

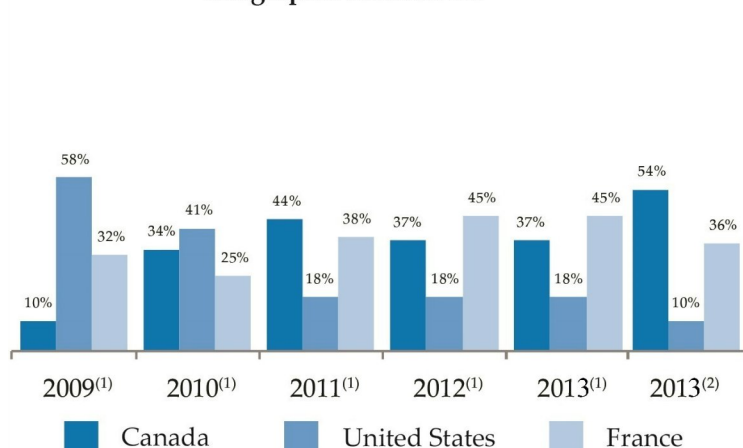


\* Last 12 months

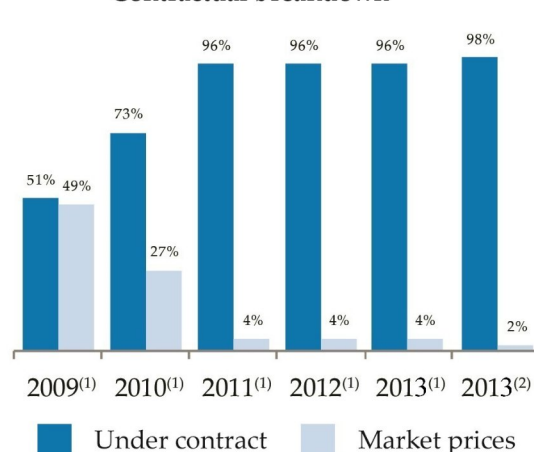
## Impact of Recent Developments on the Makeup of Boralex's Energy Portfolio

These charts show changes in all sites owned as at March 31, 2013 compared with the end of previous fiscal years.

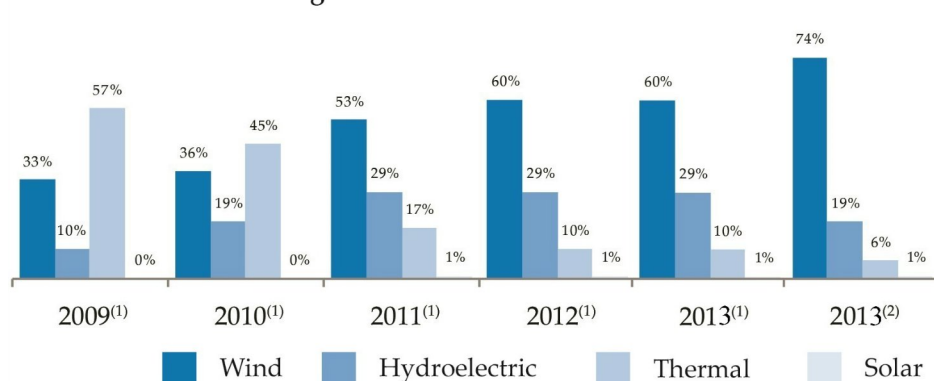
Geographic breakdown



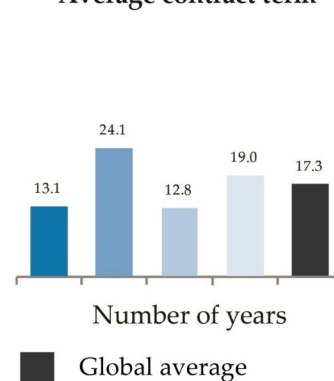
Contractual breakdown



Segment breakdown



Average contract term <sup>(3)</sup>



(1) In operation

(2) Pro forma, including Boralex's net interest of 550 MW in development projects

(3) Based on annual production in MWh

As the above charts show, Boralex's strategic decisions made in recent fiscal years have substantially transformed and enhanced its positioning. Since the end of fiscal 2009, Boralex's long-term contracted portion of installed capacity in operation grew from 51% to 96%. If Boralex's net interest in projects under development is taken into account, this proportion increases to approximately 98%, ensuring higher and more predictable future profits and cash flows.

From a segment perspective, these developments mainly resulted in a higher relative weight of the wind, hydroelectric and solar power segments, which generate higher profit margins than Boralex's thermal power segment. Together, the three segments now account for 90% of assets in operation, and will reach 94% in 2015 after the wind power sites and the hydroelectric power station currently under development are commissioned, without reflecting expansion projects that could be carried out by the Corporation in its target markets over the coming quarters and years. In contrast, the thermal power segment's share of Boralex's overall installed capacity fell from 57% in 2009 to 10%, and will be marginal in 2015, in accordance with the Corporation's decision to reduce the relative weight of its thermal power segment. One of the main benefits of this trend is that the Corporation's results will become more stable and predictable by reducing its exposure to fluctuations in the cost and potential scarcity of raw materials used in the thermal power stations, namely natural gas and wood residue.

Developments over recent fiscal years have strengthened the Corporation's geographic positioning in Canada, where 37% of Boralex's installed capacity in operation is now located, compared with 10% in 2009. France and the United States account for 45% and 18%, respectively, of the Corporation's installed capacity in operation. Accordingly, Boralex now enjoys greater geographic balance in its revenue streams as well as reduced exposure to currency fluctuations. As indicated in the above chart, the Canadian market share should reach 54% with the commissioning of projects under development, which does not reflect, however, potential expansion transactions that the Corporation could complete in both France and Canada.

# Key Events Affecting Boralex's Results, Financial Position and Positioning in 2013 compared with 2012

## **Shutdown of Power Production at the Kingsey Falls Power Station (Québec, Canada)**

On November 30, 2012, the day its power sales contract with Hydro-Québec expired, the 31 MW natural gas cogeneration power station in Kingsey Falls, Québec shut down its power production operations. For fiscal 2013 as a whole, compared with fiscal 2012, the shutdown will give rise to a shortfall of approximately \$10 million in thermal power segment EBITDA and Boralex's consolidated EBITDA, which management expects to be offset, however, by expansion in the wind power segment on a consolidated level, as discussed below. The Corporation has also started discussions with its industrial client Cascades regarding a new contract for continuing to supply it with steam.

## **Acquisition of the St-Patrick Wind Power Site (France) in 2012 and Commissioning of New Wind Power Sites in Canada and in France in 2013**

On June 28, 2012, Boralex acquired the St-Patrick wind farm located in France, a 34.5 MW facility already in operation. In 2013, the site will contribute to the Corporation's results for the entire year, compared with only six months in 2012.

In addition, during the fourth quarter of fiscal 2013, Boralex and its partners will commission wind power sites totalling 312 MW, namely Phase 1 of the Seigneurie de Beauré wind farm (272 MW) in Québec, and two other wind power sites in France, La Vallée (32 MW) and Vron (8 MW). Boralex's net interest in these new energy assets will be 176 MW. Although the new sites will make a contribution to 2013 results during a few months only, this expansion will have a significant impact on fourth quarter results, given particularly the scale of Phase 1 of the Seigneurie de Beauré wind farm.

As mentioned previously, the contribution of the St-Patrick wind farm for the full year and the commissioning of new sites in the fourth quarter should offset the shortfall in fiscal 2013 results stemming from the shutdown of the Kingsey Falls thermal power station. Besides, this expansion of the wind power segment will deliver the added benefit of enhanced geographic diversification for Boralex, due particularly to its positioning in Québec, in addition to diversifying its technological expertise in operating a range of wind turbine types.

## **New Production Sites Currently under Development in Canada and in France**

In addition to the wind power projects described previously, Boralex is currently investing, independently or with partners, in the development of other energy assets to be commissioned in 2014 and 2015. While these projects will not make a contribution to 2013 results, they will have an impact on cash flows and the Corporation's financial position during the current fiscal year. The projects are described below.

In Canada:

- 68 MW Phase 2 of the Seigneurie de Beauré wind farm in Québec (2014);
- 25 MW wind power project developed in collaboration with the regional county municipality ("RCM") of Témiscouata in Québec (2014);
- 22 MW Jamie Creek hydroelectric power station in British Columbia (2014);
- 50 MW Témiscouata II wind power project in Québec (2015); and
- 25 MW wind power project developed in collaboration with the RCM of La Côte-de-Beauré in Québec (2015).

In France:

- Fortel-Bonnières and St-François wind power projects totalling 48 MW (2014).

Projects under development are described in greater detail in the sections of this MD&A describing the different operating segments.

# Seasonal Factors

	Three-month periods ended			Twelve-month period ended	
(in thousands of dollars, except MWh and per share amounts and number of shares outstanding)	June 30, 2012	September 30, 2012	December 31, 2012	March 31, 2013	March 31, 2013
<b>POWER PRODUCTION (MWh)</b>					
Wind power stations	138,836	110,343	210,838	191,028	651,045
Hydroelectric power stations	158,874	86,472	164,072	148,473	557,891
Thermal power stations	41,981	83,815	66,051	70,879	262,726
Solar power station	1,940	2,056	991	1,079	6,066
	341,631	282,686	441,952	411,459	1,477,728
<b>REVENUES FROM ENERGY SALES</b>					
Wind power stations	16,345	12,540	25,124	23,598	77,607
Hydroelectric power stations	12,445	7,456	13,860	14,113	47,874
Thermal power stations	9,285	12,173	12,654	12,546	46,658
Solar power station	830	852	425	479	2,586
	38,905	33,021	52,063	50,736	174,725
<b>EBITDA</b>					
Wind power stations	13,082	9,563	21,363	19,875	63,883
Hydroelectric power stations	9,056	7,510	9,541	11,284	37,391
Thermal power stations	1,154	2,408	2,601	4,668	10,831
Solar power station	723	770	324	382	2,199
	24,015	20,251	33,829	36,209	114,304
Corporate and eliminations	(5,155)	(4,025)	(3,902)	(2,956)	(16,038)
	18,860	16,226	29,927	33,253	98,266
<b>NET EARNINGS (LOSS) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX</b>					
Continuing operations	(6,035)	(8,167)	542	4,007	(9,653)
Discontinued operations	134	566	696	161	1,557
	(5,901)	(7,601)	1,238	4,168	(8,096)
<b>NET EARNINGS (LOSS) PER SHARE (BASIC) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX</b>					
Continuing operations	(\$0.16)	(\$0.22)	\$0.01	\$0.11	(\$0.26)
Discontinued operations	—	\$0.02	\$0.02	—	\$0.04
	(\$0.16)	(\$0.20)	\$0.03	\$0.11	(\$0.22)
<b>NET EARNINGS (LOSS) PER SHARE (DILUTED) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX</b>					
Continuing operations	(\$0.16)	(\$0.22)	\$0.01	\$0.11	(\$0.26)
Discontinued operations	—	\$0.02	\$0.02	—	\$0.04
	(\$0.16)	(\$0.20)	\$0.03	\$0.11	(\$0.22)
<b>CASH FLOWS FROM OPERATIONS</b>					
In dollars	5,778	6,870	14,118	22,954	49,720
Per share (basic)	\$0.15	\$0.18	\$0.37	\$0.61	\$1.32
<b>Weighted average number of shares outstanding (basic)</b>	<b>37,727,077</b>	<b>37,730,162</b>	<b>37,732,568</b>	<b>37,735,065</b>	<b>37,731,208</b>

				Three-month periods ended	Twelve-month period ended
(in thousands of dollars, except MWh and per share amounts and number of shares outstanding)	June 30, 2011	September 30, 2011	December 31, 2011	March 31, 2012	March 31, 2012
<b>POWER PRODUCTION (MWh)</b>					
Wind power stations	124,362	94,840	182,810	172,405	574,417
Hydroelectric power stations	213,490	148,596	196,522	163,095	721,703
Thermal power stations	88,138	92,423	114,225	118,323	413,109
Solar power station	268	1,942	1,017	1,329	4,556
	426,258	337,801	494,574	455,152	1,713,785
<b>REVENUES FROM ENERGY SALES</b>					
Wind power stations	15,193	11,328	22,461	20,647	69,629
Hydroelectric power stations	15,990	11,615	15,982	13,986	57,573
Thermal power stations	12,762	12,368	17,584	22,242	64,956
Solar power station	124	887	465	576	2,052
	44,069	36,198	56,492	57,451	194,210
<b>EBITDA</b>					
Wind power stations	11,991	8,160	18,440	16,977	55,568
Hydroelectric power stations	12,648	8,513	11,386	10,644	43,191
Thermal power stations	2,078	2,928	4,100	8,395	17,501
Solar power station	121	810	399	495	1,825
	26,838	20,411	34,325	36,511	118,085
Corporate and eliminations	(4,300)	(3,723)	(4,024)	(3,169)	(15,216)
	22,538	16,688	30,301	33,342	102,869
<b>NET EARNINGS (LOSS) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX</b>					
Continuing operations	(3,730)	(6,315)	3,536	4,826	(1,683)
Discontinued operations	(1,377)	(893)	4,651	2,323	4,704
	(5,107)	(7,208)	8,187	7,149	3,021
<b>NET EARNINGS (LOSS) PER SHARE (BASIC) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX</b>					
Continuing operations	(\$0.10)	(\$0.17)	\$0.10	\$0.13	(\$0.04)
Discontinued operations	(\$0.04)	(\$0.02)	\$0.12	\$0.06	\$0.12
	(\$0.14)	(\$0.19)	\$0.22	\$0.19	\$0.08
<b>NET EARNINGS (LOSS) PER SHARE (DILUTED) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX</b>					
Continuing operations	(\$0.10)	(\$0.17)	\$0.10	\$0.12	(\$0.05)
Discontinued operations	(\$0.04)	(\$0.02)	\$0.12	\$0.06	\$0.12
	(\$0.14)	(\$0.19)	\$0.22	\$0.18	\$0.07
<b>CASH FLOWS FROM OPERATIONS</b>					
In dollars	9,602	9,572	17,613	21,849	58,636
Per share (basic)	\$0.25	\$0.25	\$0.47	\$0.58	\$1.55
Weighted average number of shares outstanding (basic)	37,773,213	37,745,598	37,725,898	37,726,689	37,742,811

The Corporation's operations and results are partly subject to seasonal cycles and other cyclical factors that vary by segment. Since nearly all of Boralex facilities have long-term indexed fixed-price power sales contracts, seasonal cycles mainly affect the total volume of power generated by the Corporation. Only four hydroelectric power stations in the United States, accounting for only 4% of the Corporation's total installed capacity in operation, are not covered by long-term sales contracts.

Operating volumes at Boralex facilities are influenced by the following seasonal factors, depending on their specific power generation method.

## Wind

For the 286 MW of Boralex's wind power assets currently in operation, 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 winter there is a greater risk of lower production caused by weather conditions, such as icing. In general, management estimates that approximately 60% of annual production in its wind power segment is generated in the first and fourth quarters and 40% in the second and third quarters.

Following the development projects completed since 2009 and described previously, the wind power segment is now Boralex's largest segment in terms of installed capacity, revenues, EBITDA and cash flows. The segment is expected to account for an increasing share of the Corporation's energy portfolio in the coming years as wind farms that Boralex is developing independently or with partners in Canada and in France are gradually commissioned. These facilities will total 528 MW, of which Boralex's net interest represents 334 MW. The commissioning of these facilities will increase the installed capacity of wind power assets in operation fully owned by Boralex to approximately 620 MW by the end of fiscal 2015, excluding potential acquisitions of other assets in operation or under development. In particular, this expansion will intensify the impact of the seasonality on this type of power generation on Boralex's overall performance, such that an increasing proportion of the Corporation's revenues will be generated in the first and fourth quarters.

## Hydroelectricity

For Boralex's hydroelectric assets totalling 136 MW, power output depends on water flow, which in Canada and the Northeastern United States tends to be at a maximum in spring and generally good in the fall, which are Boralex's second and fourth quarters. Historically, water flow tends to decrease in winter and summer. Note that apart from four hydroelectric power stations whose water flow is regulated upstream yet not under the Corporation's control, Boralex's other hydroelectric facilities do not have reservoirs that would permit water flow regulation during the year.

As previously discussed, four U.S. power stations are not covered by long-term power sales contracts. These facilities have an installed capacity of 21 MW, which currently accounts for 15% of the hydroelectric power segment's total installed capacity and 4% of Boralex's total installed capacity. Since these power stations sell their power on the open market in the State of New York, they are more vulnerable to seasonal fluctuations which, in addition to influencing power production volumes, also have an impact on selling prices obtained. They are partly influenced by seasonal demand, which is traditionally higher during winter and summer, corresponding to Boralex's first and third quarters. Historically, power stations obtain generally higher average prices during these periods. Moreover, the price of natural gas, which is highly volatile, has a significant influence on electricity selling prices in the State of New York. In this regard, note that North American natural gas prices have been below the average of the last decade.

## Thermal

Boralex owns and operates two thermal power stations for an aggregate 49 MW of installed capacity. Of the two, the Senneterre power station in Québec, Canada is fuelled by wood-residue and is covered by a Hydro-Québec power sales contract expiring in 2027. An agreement has been entered into with Hydro-Québec under which the Senneterre power station will produce power six months per year during 2012 and 2013, from December to March and in July and August. Given the terms of the agreement, the power station's results were not affected in 2012 and are not expected to be affected in 2013, provided the facility operates at the projected level during its months in operation.

Boralex also operates a natural gas-fired power station located in Blendecques, France. Its sales contract with government corporation Électricité de France ("EDF") expired on March 31, 2013, but has been extended until April 30, 2013 at the request of EDF.

The power station is expected to resume operations in November 2013, once the Corporation has completed the process of securing a new power sales contract. To that end, the Corporation filed an application with the French government for a power purchase obligation certificate and believes it is well placed to sign a new 12-year agreement in the next few months, with the final business terms of the agreement to be confirmed by the French government.

Meanwhile, as in previous years, steam will be produced using an auxiliary boiler.

## Solar

The Corporation's only solar power station (5 MW) currently in operation is located in Southwestern France. For this facility, which benefits from a long-term power sales contract, sunlight conditions are usually more favourable in the spring and summer, which fall during Boralex's second and third quarters. In view of these weather conditions, management estimates that approximately 65% of the annual production at its solar power station will be generated in the second and third quarters.

### TO SUM UP,

although seasonal and other cyclical factors have a certain impact on Boralex's performance, this is mitigated by the fact that, following the main events in recent years, namely the significant expansion of the wind power segment, the acquisition of the Fund, the commissioning of a solar power station and the sale of our U.S. wood-residue power stations, nearly all of the Corporation's revenues are now generated by assets with indexed fixed-price sales contracts. The Corporation also capitalizes on solid diversification in its power generation sources and favourable geographic positioning. Furthermore, Boralex gives priority to sound capital management to ensure financial health and flexibility to effectively manage the seasonality of its business. These factors will contribute to strong, stable results for Boralex in the coming years.

# Financial Highlights

(in thousands of dollars, except MWh and per share amounts and number of shares outstanding)	Three-month periods ended March 31	
	2013	2012
<b>POWER PRODUCTION (MWh)</b>		
Wind power stations	191,028	172,405
Hydroelectric power stations	148,473	163,095
Thermal power stations	70,879	118,323
Solar power station	1,079	1,329
	411,459	455,152
<b>REVENUES FROM ENERGY SALES</b>		
Wind power stations	23,598	20,647
Hydroelectric power stations	14,113	13,986
Thermal power stations	12,546	22,242
Solar power station	479	576
	50,736	57,451
<b>EBITDA</b>		
Wind power stations	19,875	16,977
Hydroelectric power stations	11,284	10,644
Thermal power stations	4,668	8,395
Solar power station	382	495
	36,209	36,511
Corporate and eliminations	(2,956)	(3,169)
	33,253	33,342
<b>NET EARNINGS ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX</b>		
Continuing operations	4,007	4,826
Discontinued operations	161	2,323
	4,168	7,149
<b>NET EARNINGS PER SHARE (BASIC) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX</b>		
Continuing operations	\$0.11	\$0.13
Discontinued operations	—	\$0.06
	\$0.11	\$0.19
<b>NET EARNINGS PER SHARE (DILUTED) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX</b>		
Continuing operations	\$0.11	\$0.12
Discontinued operations	—	\$0.06
	\$0.11	\$0.18
<b>CASH FLOWS FROM OPERATIONS</b>		
In dollars	22,954	21,849
Per share (basic)	\$0.61	\$0.58
Weighted average number of shares outstanding (basic)	37,735,065	37,726,689

## Statement of Financial Position Data

(in thousands of dollars)	As at March 31,	As at December 31,
	2013	2012
Total assets	1,228,404	1,229,871
Debt*	517,269	522,186
Convertible debentures	227,059	226,299
Total equity	350,108	342,369

\* Including non-current debt and current portion of debt.

# Non-IFRS Measures

In order to assess the performance of its assets and reporting segments, Boralex uses EBITDA, cash flows from operations, the ratio of net debt, and adjusted net earnings, 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-IFRS 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, or as a measure of operating results, which are IFRS measures.

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

(in thousands of dollars)	Three-month periods ended March 31	
	2013	2012
Net earnings attributable to shareholders of Boralex	4,168	7,149
Net earnings from discontinued operations	(161)	(2,323)
Non-controlling shareholders	430	112
Income tax expense	2,730	1,759
Net loss (gain) on financial instruments	203	(337)
Foreign exchange loss (gain)	(8)	121
Financing costs	12,424	12,103
Impairment of property, plant and equipment and intangible assets	—	823
Other gains	(34)	—
Amortization	13,501	13,935
<b>EBITDA</b>	<b>33,253</b>	<b>33,342</b>

Cash flows from operations are equal to net cash flows related to operating activities before change in non-cash items related to operating activities. 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 items can vary considerably. In addition, development activities result in significant changes in *Trade and other payables* 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 non-cash items 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, net cash flows related to operating activities, in the following table:

(in thousands of dollars)	Three-month periods ended March 31	
	2013	2012
Net cash flows related to operating activities	22,450	33,074
Change in non-cash items related to operating activities	(504)	11,225
<b>CASH FLOWS FROM OPERATIONS</b>	<b>22,954</b>	<b>21,849</b>

The Corporation defines net debt as follows:

(in thousands of dollars)	As at March 31, <b>2013</b>	As at December 31, <b>2012</b>
Non-current debt	417,457	423,616
Current portion of debt	99,812	98,570
Borrowing costs, net of accumulated amortization	6,974	7,263
Less:		
Cash and cash equivalents	(115,737)	(107,138)
Restricted cash	(5,818)	(5,063)
Net debt	402,688	417,248

The Corporation defines total book capitalization as follows:

(in thousands of dollars)	As at March 31, <b>2013</b>	As at December 31, <b>2012</b>
Total equity	350,108	342,369
Net debt	402,688	417,248
Convertible debentures	227,059	226,299
Convertible debenture issuance costs, net of accumulated amortization	4,013	4,164
Deferred taxes on convertible debentures	5,158	5,158
Imputed interest calculated on convertible debentures	(5,862)	(5,251)
Total book capitalization	983,164	989,987

The Corporation computes the ratio of net debt as follows:

(in thousands of dollars)	As at March 31, <b>2013</b>	As at December 31, <b>2012</b>
Net debt	402,688	417,248
Total book capitalization	983,164	989,987
<b>NET DEBT RATIO</b>	41.0%	42.1%

The following table reconciles net earnings attributable to shareholders of Boralex as reported in the financial statements with adjusted net earnings:

(in thousands of dollars)	Three-month periods ended March 31	
	<b>2013</b>	<b>2012</b>
Net earnings attributable to shareholders of Boralex	4,168	7,149
Net earnings from discontinued operations	(161)	(2,323)
Specific items*:		
Impairment of property, plant and equipment and intangible assets	—	492
<b>ADJUSTED NET EARNINGS - CONSOLIDATED</b>	4,007	5,318

\* Net of income taxes.

## Specific Items in the Quarters Ended March 31, 2013 and 2012

Boralex did not record any specific items that impacted EBITDA for the three-month periods ended March 31, 2013 and 2012.

However, during the first quarters of fiscal 2013 and 2012, Boralex recognized after-tax gains of \$0.2 million and \$2.3 million, respectively, representing net earnings from discontinued operations, that is, the U.S. wood-residue power stations that were sold to a third party in December 2011.

Under the terms of the transaction of sale of these power stations, proceeds from the sale of RECs (Renewable Energy Certificates) generated by these facilities in 2011 remained the property of Boralex. These RECs were sold during the first quarter of 2012 for an amount of \$3.8 million before tax. In addition, under the terms of the transaction, Boralex is entitled, until the end of 2014, to 50% of the sale proceeds of RECs of these power stations in excess of the defined price threshold. Accordingly, Boralex recognized a gain of \$0.2 million (\$0.3 million before tax) in the first quarter of 2013.

Boralex believes that it could continue to receive attractive revenues on sales of RECs in the coming quarters as their current market value is higher than the threshold set in the sales transaction with demand exceeding supply. However, it is difficult to predict whether this trend will continue and to accurately measure the amounts that Boralex may receive by the end of 2014.

During the first quarter of fiscal 2012, Boralex had also recorded an impairment charge of \$0.8 million before tax (\$0.5 million after tax) on various property, plant and equipment and intangible assets that were subsequently sold by the Corporation.

# Analysis of Operating Results for the Three-Month Period Ended March 31, 2013

The following table shows major changes in adjusted net earnings from continuing operations attributable to shareholders of Boralex:

	Adjusted net earnings (in thousands of dollars)	Per share (in \$, basic)
<b>THREE-MONTH PERIOD ENDED MARCH 31, 2012</b>	<b>5,318</b>	<b>\$0.14</b>
Change in EBITDA	(89)	—
Amortization	434	\$0.01
Financing costs	(321)	(\$0.01)
Foreign exchange gains	129	\$0.01
Net loss on financial instruments	(540)	(\$0.01)
Other gains	34	—
Income tax recovery	(714)	(\$0.02)
Non-controlling shareholders	(244)	(\$0.01)
<b>THREE-MONTH PERIOD ENDED MARCH 31, 2013</b>	<b>4,007</b>	<b>\$0.11</b>

For the three-month period ended March 31, 2013, excluding specific items described in the previous section, Boralex reported adjusted net earnings of \$4.0 million or \$0.11 per share compared with adjusted net earnings of \$5.3 million or \$0.14 per share for the same quarter of the previous year. The items that explain this decline are discussed in greater detail below.

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

(in thousands of dollars)	Revenues from energy sales	EBITDA
<b>THREE-MONTH PERIOD ENDED MARCH 31, 2012</b>	<b>57,451</b>	<b>33,342</b>
Power station commissioned*	2,873	2,395
Shutdown of Kingsey Falls thermal power station	(10,715)	(4,904)
Pricing	855	855
Volume	(793)	(1,015)
Capacity premiums	828	828
Translation of self-sustaining subsidiaries (exchange rate effect)	297	163
Raw material costs	—	(166)
Maintenance	—	468
Development - prospecting	—	(402)
Other	(60)	1,689
<b>THREE-MONTH PERIOD ENDED MARCH 31, 2013</b>	<b>50,736</b>	<b>33,253</b>

\* Addition of the already operating St-Patrick wind farm acquired on June 28, 2012

## Revenues from Energy Sales

For the quarter ended March 31, 2013, Boralex reported revenues from energy sales totalling \$50.7 million compared with \$57.5 million for the same period in 2012. The shutdown of the Kingsey Falls power station resulted in a revenue shortfall of \$10.7 million, partly offset by the additional contribution of \$2.9 million from the St-Patrick wind power site acquired on June 28, 2012. Boralex's existing facilities generated revenues of \$47.9 million compared with \$46.7 million the previous year, representing an increase of \$1.1 million or 2.4%, despite an unfavourable volume effect of \$0.8 million stemming from a slightly lower output. Conversely, the change in revenues benefited from the following favourable factors:

- A \$0.9 million favourable price effect resulting mostly from a significant increase in the average selling price obtained by the U.S. hydroelectric power stations on the open market in the State of New York;
- A \$0.8 million increase in capacity premiums received mainly by the Senneterre thermal power station; and
- A \$0.3 million favourable foreign exchange effect attributable primarily to the strengthening of the euro against the Canadian dollar.

Boralex generated a total of 411,459 MWh of power in the first quarter of 2013 compared with 455,152 MWh in 2012. However, excluding the Kingsey Falls power station, quarterly output rose 3.7% following the addition of the St-Patrick site, which more than offset the 2.1% decline in output at existing sites, owing mainly to less favourable water flow conditions than in 2012 in Northeastern United States.

## Other Income

*Other income*, which mainly comprises management fees, totalled \$0.3 million in the first quarter of 2013 compared with \$0.2 million the previous year.

## EBITDA

Consolidated EBITDA amounted to \$33.3 million for the first quarter of fiscal 2013 and for the same period of 2012.

Excluding the \$4.9 million shortfall attributable to the Kingsey Falls power station, quarterly EBITDA rose \$4.8 million or 16.9% due to the following favourable items:

- A \$2.4 million additional contribution from the St-Patrick wind power site;
- A \$1.6 million reversal of a provision in connection with an amendment to the bonus plan for all Boralex employees;
- The \$0.9 million favourable price effect discussed previously;
- A \$0.8 million increase in capacity premiums;
- A \$0.2 million favourable foreign exchange effect; and
- A \$0.5 million net decrease in maintenance costs at the hydroelectric power stations and the Senneterre thermal power station.

In the aggregate, these items more than offset the following unfavourable items:

- A \$1.0 million shortfall resulting from lower output, primarily in the hydroelectric power segment in the United States and to a lesser extent in wind power segment in Canada and the solar power site in France;
- A \$0.2 million rise in raw material costs owing primarily to the renewal of the natural gas supply contract at the Blendecques thermal power station in France under less favourable terms than the previous contract; and
- A \$0.4 million increase in development and prospecting costs attributed mainly to the wind power market in Canada.

However, EBITDA margin as a percentage of revenues improved to 65.5% in 2013 from 58.0% in 2012, reflecting the wind power segment's increased share in consolidated revenues, following the combined effect of the acquisition of the St-Patrick site and the shutdown of the Kingsey Falls thermal power station.

## Amortization

The amortization expense remained largely stable between the two comparative quarters, that is, \$13.5 million in the first quarter of 2013 and \$13.9 million in the first quarter of 2012 as the impact of the addition of the St-Patrick wind power site was offset by the shutdown of the Kingsey Falls thermal power station.

As discussed in the previous section, *Specific Items in the Quarters Ended March 31, 2013 and 2012*, Boralex had recorded a \$0.8 million (before tax) impairment charge on various property, plant and equipment and intangible assets in the first quarter of 2012.

## Financing Costs, Foreign Exchange Loss (Gain) and Net Loss (Gain) on Financial Instruments

Financing costs rose by \$0.3 million to \$12.4 million due to the impact of the acquisition of the St-Patrick wind power site, partly offset by the decrease in other debts contracted in France and the debt related to the Thames River wind power site in Canada.

Boralex recorded a slight foreign exchange gain in the first quarter of 2013 compared with a \$0.1 million foreign exchange loss in the same quarter last year. The Corporation recognized a net loss of \$0.2 million on financial instruments compared with a net gain of \$0.3 million on financial instruments for the same period of 2012, resulting in an unfavourable impact of \$0.5 million. Note that *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 very small ineffective portion.

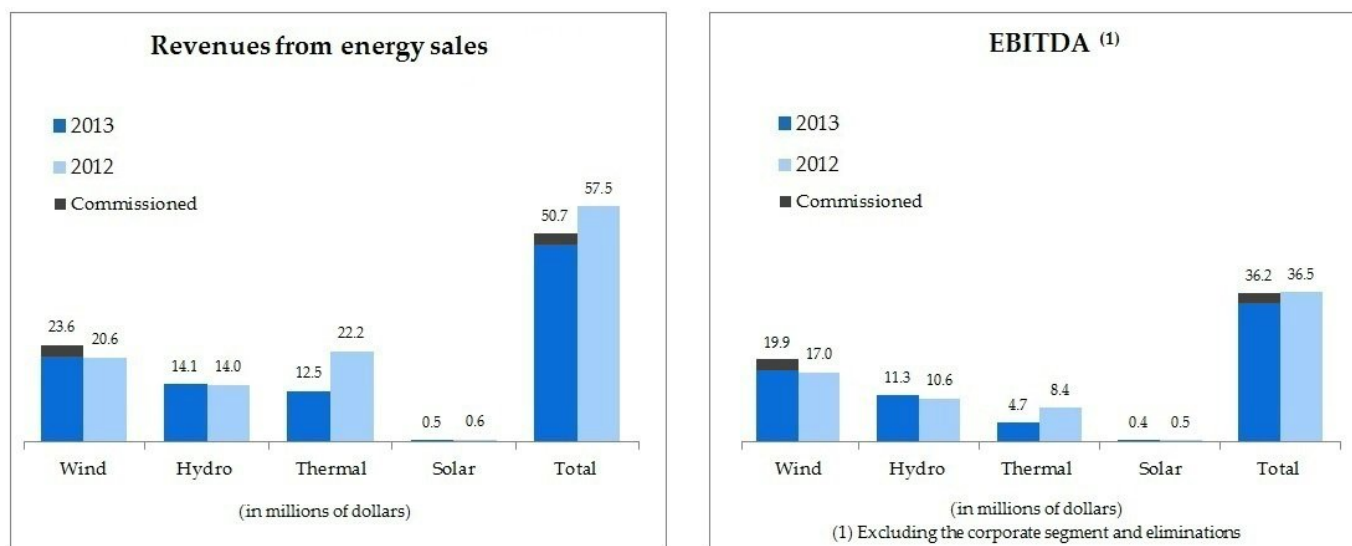
## Adjusted Net Earnings Attributable to Shareholders of Boralex

Excluding the specific items in the two comparative periods, Boralex reported adjusted net earnings of \$4.0 million or \$0.11 per share for the three-month period ended March 31, 2013, compared with adjusted net earnings of \$5.3 million or \$0.14 per share for the same quarter of the previous year.

## TO SUM UP,

as foreseen by management, first quarter results were above all affected by the shutdown of the Kingsey Falls thermal power station and the impact was even more significant as this quarter is the facility's best period of the year. Nonetheless, in line with Boralex's development strategy, this shutdown combined with the addition of the new St-Patrick wind power site in France resulted in an increase in overall profitability of the Corporation's energy portfolio by decreasing the relative weight of the thermal power segment in favour of the more profitable wind power segment. For fiscal 2013 as a whole, management expects the shortfall resulting from the shutdown of the Kingsey Falls power station to be offset by wind power segment expansion, including the commissioning of new sites totalling 312 MW in the fourth quarter. Boralex's net share in these facilities will be 176 MW. As in previous quarters, this trend will enhance the positive outcomes of Boralex's strategic positioning in terms of profit margins, cash flows and geographic diversification.

# Geographic and Segment Breakdown of Results of Continuing Operations for the Three-Month Periods Ended March 31, 2013 and 2012



The following is a discussion of changes in segment breakdown of revenues and EBITDA for the three-month period ended March 31, 2013 compared with the same period of 2012.

## Wind

Wind power segment revenues grew 14.6% in the first quarter of 2013 compared with the same quarter of 2012, with its share in consolidated revenues rising to 46.5% from 35.9% in 2012. Revenue growth stemmed from the addition of the new St-Patrick site acquired at the end of the second quarter of 2012 and the shutdown of the Kingsey Falls thermal power station on November 30, 2012.

Wind power EBITDA rose 17.1%, accounting for 55.0% of consolidated EBITDA (before the corporate segment and eliminations) in 2013 compared with 46.6% in 2012, thereby confirming the segment's position as Boralex's most significant source of EBITDA. The segment's EBITDA margin is also higher than the average for Boralex's energy asset portfolio, amounting to approximately 84.3% in the first quarter of 2013 (82.5% in 2012). With Boralex's net share of wind power projects under development set to add nearly 334 MW to its total net contracted capacity, the segment's top contribution to operating profitability stands to grow as from the end of 2013, enhancing the Corporation's average profit margin.

## Hydroelectric

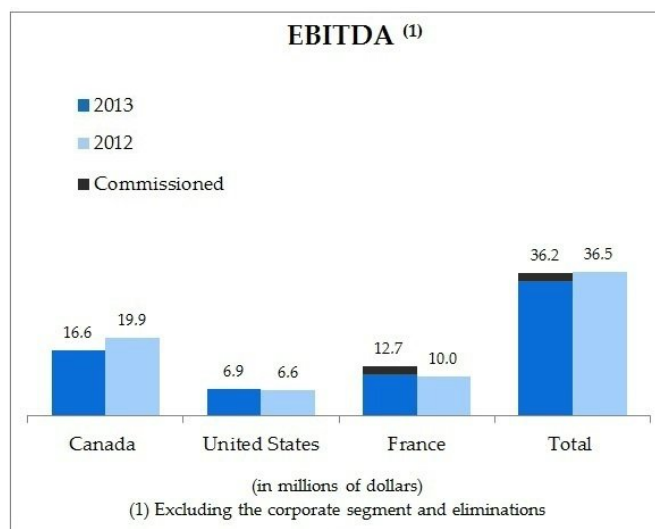
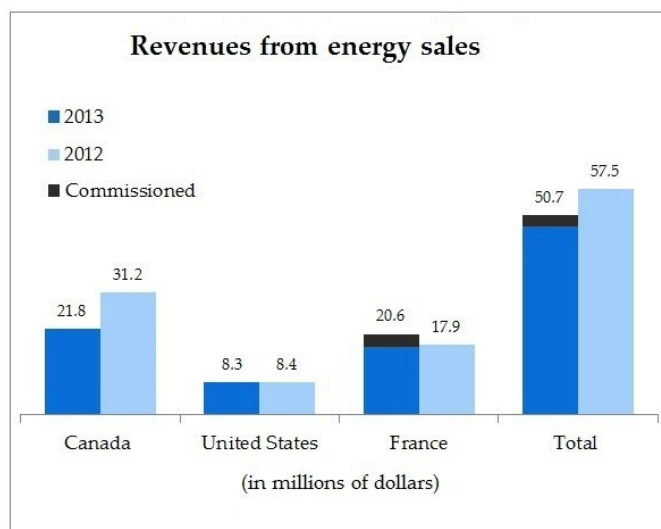
Although revenues remained relatively stable between the two comparative periods, the hydroelectric segment's contribution to consolidated revenues rose to 27.8% in the first quarter of 2013 from 24.4% in the same period of 2012, owing primarily to the thermal segment's decreased weight in Boralex's energy portfolio. For the same primary reason, combined with a slight growth in its EBITDA, the segment generated 31.2% of consolidated EBITDA (before the corporate segment and eliminations) in the first quarter of 2013, compared with 29.0% in the same quarter of 2012. As a percentage of revenues, segment EBITDA margin rose to 80.1% in 2013 from 75.7% in 2012.

## Thermal

The thermal segment accounted for 24.7% of consolidated revenues in the first quarter ended March 31, 2013, compared with 38.6% in the same quarter of 2012, due to the shutdown of the Kingsey Falls power station. The segment's share of consolidated EBITDA (before the corporate segment and eliminations) stood at 13.0% compared with 23.0% for the period a year earlier. Besides the shutdown of the Kingsey Falls power station, this decrease is also attributable to lower profitability at the Blendecques facility in France following a decline in its average selling price combined with higher raw material costs. The segment's EBITDA margin amounted to 37.8% in 2012 compared with 37.6% in 2013.

## Solar

Boralex's only solar power site generated EBITDA of \$0.4 million on revenues of \$0.5 million for the first quarter of 2013, representing an EBITDA margin of 80.0%, compared with EBITDA of \$0.5 million on revenues of \$0.6 million and a margin of 83.3% for the same quarter of 2012. This difference is due to less sunlight than in 2012. The solar power segment, which currently accounts for only a marginal share of Boralex's energy portfolio, generated 1.0% of revenues and 1.1% of consolidated EBITDA (before the corporate segment and eliminations) in the first quarter of 2013. Note that this period of the year is unrepresentative of segment productivity due to the seasonality of its operations.



For the first quarter ended March 31, 2013, the geographic breakdown of Boralex's revenues from energy sales was as follows:

- 43.0% in Canada compared with 54.2% in 2012;
- 16.4% in the United States compared with 14.6% in 2012; and
- 40.6% in France compared with 31.2% in 2012.

The decrease in the relative share of revenues generated by the Canadian assets is due primarily to the shutdown of the Kingsey Falls power station, and the higher relative weight of the European market resulting from the addition of the St-Patrick wind power site. Last, the increase in the share of revenues generated in the United States stems mainly from the decrease in the relative share of the thermal segment.

# Review of Operating Segments

## Wind Power Stations

The main differences in revenues from energy sales and EBITDA are as follows:

(in thousands of dollars)	Revenues from energy sales	EBITDA
<b>THREE-MONTH PERIOD ENDED MARCH 31, 2012</b>	<b>20,647</b>	<b>16,977</b>
Power station commissioned*	2,873	2,395
Pricing	371	371
Volume	(358)	(358)
Share in loss of the Joint Venture	—	(258)
Translation of self-sustaining subsidiaries (exchange rate effect)	141	101
Other	(76)	647
<b>THREE-MONTH PERIOD ENDED MARCH 31, 2013</b>	<b>23,598</b>	<b>19,875</b>

\* Addition of the St-Patrick wind farm acquired on June 28, 2012

## Operating Results for the Three-Month Period

Results of the first quarter of 2013 confirm the wind power segment's role as Boralex's main driver of performance. The segment's output, revenues and EBITDA grew 10.8%, 14.3% and 17.1%, respectively, over the same quarter of 2012, driven primarily by the acquisition of the already operating St-Patrick wind farm on June 28, 2012. The EBITDA margin also rose, to 84.2% from 82.2%. Excluding the share in the loss of the Joint Venture, the EBITDA margin is 85.1%.

The wind power segment's output totalled 191,028 MWh for the quarter ended March 31, 2013, compared with 172,405 MWh for the previous year, following the addition of the St-Patrick wind farm with an installed capacity of 34.5 MW. Excluding the new facility, output at existing sites fell 2.9%. In France, despite good equipment availability and generally better wind conditions than in the previous year, output at existing sites decreased by 2.2% owing primarily to more severe icing conditions than in 2012 for the Cham Longe and La Citadelle wind farms. In Canada, generally weaker wind conditions than in 2012 for all the assets of the Thames River site led to a 3.7% fall in output.

Wind power segment revenues totalled \$23.6 million in the first quarter of 2013 compared with \$20.6 million the previous year, while EBITDA increased to \$19.9 million from \$17.0 million. The higher segment revenues and EBITDA were driven by the same factors, namely the addition of the St-Patrick wind farm, the increase in the average selling price, which entirely offset the unfavourable volume effect, and the strengthening of the euro against the Canadian dollar. In addition, EBITDA growth was bolstered by the decrease in or non-recurrence of various expenses, which had a positive impact of \$0.6 million.

## Development Projects and Recent Events

As of the date of this MD&A, Boralex had entered into long-term power sales contracts, independently or with partners, for wind power projects totalling 528 MW, consisting of 440 MW in Québec, Canada and 88 MW in France. Boralex's net share of all projects totals 334 MW, comprising 246 MW in Canada and 88 MW in France. The Canadian projects are slated for commissioning between the fourth quarter of 2013 and the fourth quarter of 2015 and include the largest wind farm currently under development in Canada and the largest project undertaken by Boralex, namely Phase 1 of the Seigneurie de Beaupré wind farms totalling 272 MW (net share of 136 MW for Boralex). The four projects currently being developed by Boralex in France are slated for commissioning starting at the end of 2013 and 2014.

Wind power projects under development in Canada are described below.

1. In 2011, Boralex and its partner Gaz Métro Limited Partnership set up an equally owned joint venture ("the Joint Venture") to build and operate Phase 1 of the Seigneurie de Beaupré wind farms with an installed capacity of 272 MW, slated for commissioning in December 2013. Boralex management is proud to confirm that construction of this large-scale wind farm has been on budget and schedule to date. Following the break for the winter, construction work resumed at the end of February 2013 and will be completed in fall 2013. To date, the road network, comprising over 110 km, has been completed, and the foundation work is completed, for all practical purposes. In total, 57 of the 126 towers have been erected and 12 wind turbines have been installed. The expertise and skills acquired by Boralex's team in the commissioning and operation of the Thames River wind power site in Ontario will be invaluable to the successful commissioning of the Seigneurie de Beaupré Wind Farms.

Note that the Joint Venture has financing available in the amount of \$725 million, comprising a two-year construction loan of \$590 million, which will be converted into a term loan amortized over 18 years after the start of commercial operations, together with short-term facilities totalling \$135 million. In November 2011, the Joint Venture also entered into interest rate swap transactions to set a significant portion of the financing rate for its Seigneurie de Beaupré wind power project. These financial instruments have interest rates ranging from 3.18% to 3.22%.

2. Boralex and its partner Gaz Métro Limited Partnership are also working together to implement another Seigneurie de Beaurpré wind farm with a 68 MW capacity, scheduled for commissioning in December 2014. In January 2013, the project was authorized by the *Ministère du Développement durable, de l'Environnement, de la Faune et des Parcs*. With this important step completed, wood clearing has begun, as Boralex and its partner now focus on obtaining building permits and financing for the “debt” portion, expected to be finalized by the end of the current fiscal year. Apart from the site's significant advantages regarding wind and environmental conditions and existing infrastructure, the future wind farm will enjoy a performance boost from logistical synergies to be achieved during its construction and subsequent operation.
3. In June 2011, two community wind farm projects developed jointly by Boralex and the Québec RCMs of Témiscouata and La Côte-de-Beaurpré secured 20-year power sales contracts with Hydro-Québec. These wind farms, with a capacity of 25 MW each, are to be commissioned late in 2014 and in 2015, respectively. The environmental approval process for the Témiscouata project is already underway while the process for the Corporation's La Côte-de-Beaurpré project will start by the end of 2013.
4. On March 27, 2012, during the first quarter of fiscal 2012, Boralex signed a 20-year power supply contract with Hydro-Québec for a 50 MW wind farm project. The project is expected to be commissioned in late 2015 and will be developed in the Témiscouata RCM on a site adjacent to the above-mentioned community wind farm project. Boralex will launch the environmental approval process in 2013.

In France, Boralex currently has four wind power sites under development totalling 88 MW:

1. The 32 MW La Vallée wind power project in department of Indre, France, acquired in November 2012, will be commissioned at the end of 2013 and include 16 Gamesa G90 wind turbines rated at 2 MW each. Opting for this technology will allow Boralex to expand its wind turbine operating expertise to different models. All of the power generated will be sold to EDF under 15-year contracts. The total investment will amount to approximately €43 million (\$55 million), of which €33 million (\$43 million) or 77% will be financed. The long-term financing for an initial 26 MW tranche of the project was completed on January 24, 2013 with a French banking consortium, for an amount of €27 million and the financing for the remaining 6 MW tranche was completed in April in the amount of €6 million. In addition, to reduce its exposure to rate movements, the Corporation has entered into an interest rate financial swap covering 100% of the loan payable.
2. On June 28, 2012, Boralex acquired three fully authorized wind farm projects from InnoVent SAS (“InnoVent”) with a total capacity of 56 MW: Vron, an 8 MW site to be commissioned in the fourth quarter of 2013, as well as Fortel-Bonnières and St-François, two sites totalling 48 MW to be commissioned in 2014. Given that these projects are also located in Northern France, these new sites, for which EDF has a long-term purchase obligation, will further strengthen Boralex's geographic diversification in all the main regions of France. Lastly, Boralex has entered into a five-year agreement with InnoVent to secure options to acquire 130 MW in additional wind farm projects currently under development by InnoVent. Construction at the Vron site is underway, and the Corporation is currently studying various financing proposals. For the Fortel-Bonnières and St-François sites, Boralex has already selected its wind turbine supplier and is currently negotiating the maintenance contract.

## Outlook

For fiscal 2013, notwithstanding the potential impact of external factors such as currency fluctuations and weather conditions, wind power segment performance will benefit in particular from the contribution for the full year compared with six months in 2012 of the St-Patrick site, whose performance since acquisition has met initial expectations. Wind power segment performance will also benefit from the partial contribution of new sites to be commissioned in Québec and France towards the end of 2013, in particular the 272 MW Phase 1 of Seigneurie de Beaurpré whose contribution will be considerable given its large scale. Lastly, segment performance will continue to be supported by unrelenting efforts to optimize wind turbine availability and performance, leveraging in particular the team's expertise in preventive and corrective maintenance and remote management of wind turbines.

Boralex's wind power segment will remain its key growth driver over the longer term. The following table shows Boralex's wind power projects currently under development together with the percentage of Boralex's ownership interest in each project.

### Wind Power Projects under Development

Power station commissioned	2013	2013	2014	2013	2014	2014	2015	2015
Country	France			Canada (Québec)				
Project	La Vallée	Vron	Fortel and St-François	Seigneurie de Beaurpré (Phase 1)	Seigneurie de Beaurpré (Phase 2)	Témiscouata community project	La Côte-de-Beaurpré community project	Témiscouata II
Capacity	32 MW	8 MW	48 MW	272 MW	68 MW	25 MW	25 MW	50 MW
Boralex ownership	75%	75%	75%	50%	50%	51%	51%	100%

Over and above its 334 MW share of the contracted capacity now under development in Québec and France, Boralex currently has the financial resources to fund the equity portion of wind power projects totalling approximately 100 MW of additional capacity. Boralex's goal is to control approximately 1,000 MW of wind power capacity within five years. The Corporation will continue seeking opportunities to acquire new wind power projects in Canada and Europe, including operational sites and projects in advanced stages of development with potential for near-term commissioning.

Management hopes that the new government in Québec will continue developing the province's wind power potential. Boralex believes it is well positioned to benefit from this possibility, especially since the Corporation and its partners have exclusive development rights to the high-potential Seigneurie de Beaupré site on which facilities with additional capacity of nearly 500 MW could be installed in the short term. Témiscouata is also a favourable area for developing wind power projects. Ontario and British Columbia could also provide attractive development opportunities for Boralex.

In Europe, Boralex will continue to focus primarily on the French market, due in particular to the solid market share and credibility that Boralex has built in that market over the past decade. Moreover, France's new government has reiterated the country's commitment to increase the share of renewable energy in French national power output to 20% by 2020.

Management draws attention to a potential risk, which it deems unlikely in its opinion, regarding the continuity of the current rate for purchasing electricity from onshore wind power facilities in France. As it was set by ministerial order in 2008, EDF has been obliged since then to buy power generated by onshore wind power operators at a set rate. In spring 2012, following administrative proceedings instituted by opponents of wind power, the French Council of State held that the rate's adoption might have violated European law, due to constituting government assistance non-disclosed to the European Commission, and reserved its decision by a reference to the European Court of Justice which is expected to render a decision in the coming months. The Council of State has issued the opinion that the rate was not unreasonable under French law. This has created some uncertainty that could, in particular, prompt banks to delay their investments in new wind farm projects. Boralex is confident, given the European legal and political environment, that the outcome of these proceedings will strengthen the legal position of the wind power rate in France vis-à-vis its opponents. In January 2013, the French government, through its Minister for Ecology and Energy, made a commitment to guarantee legal certainty for the current terms and conditions of its electricity purchasing system. In a similar vein, EDF recently announced its intention to accelerate the process of entering into wind power sales contracts, which could even be awarded as soon as the connection agreement is initialed.

Boralex's management considers the wind power segment's medium- and long-term outlook to be highly favourable, due to:

- Its strong balance sheet;
- The scope and quality of its projects with long-term power sales contracts currently under development;
- The Corporation's highly skilled, multidisciplinary and entrepreneurial team that is constantly on the lookout for the best development opportunities;
- Solid alliances forged in Europe and North America to accelerate its development; and
- Boralex's growing reputation in world financial markets as a credible, highly efficient 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:

(in thousands of dollars)	Revenues from energy sales	EBITDA
<b>THREE-MONTH PERIOD ENDED MARCH 31, 2012</b>	<b>13,986</b>	<b>10,644</b>
Pricing	933	933
Volume	(952)	(952)
Capacity premiums	96	96
Translation of self-sustaining subsidiaries (exchange rate effect)	43	32
Maintenance costs	—	418
Other	7	113
<b>THREE-MONTH PERIOD ENDED MARCH 31, 2013</b>	<b>14,113</b>	<b>11,284</b>

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

<b>HYDROELECTRIC PRODUCTION (MWh)</b>	<b>2013</b>	<b>2012</b>
Three-month periods ended March 31	148,473	163,095
Historical average - three-month period (1)	156,069	155,450
Annual historical average (1)	623,490	626,297

(1) The historical average is calculated using all production data available for each power station up to the end of Boralex's previous fiscal year. Historical averages include all of Boralex's existing power stations.

## Operating Results for the Three-Month Period

In the first quarter of fiscal 2013, despite a 9.0% decline in production output due, in particular, to less favourable water conditions than in 2012 in the Northeastern United States, Boralex's hydroelectric power segment grew revenues and EBITDA by 0.9% and 6.0%, respectively, in addition to generating a solid EBITDA margin of 80.0%. Building on a track record of over 20 years, this segment remains a major profitability and cash flow driver for the Corporation.

Segment production for the first quarter of 2013 totalled 148,473 MWh, down from 163,095 MWh for the same period of 2012, owing to the U.S. power stations where production fell 13.1% year over year, down 12.3% from the historical average for that time of year. Apart from less favourable water conditions, the declines resulted in part from production shutdowns prompted by mechanical failures at two power stations. Production at the Canadian power stations was in line with the first quarter of last year, yet beat the historical average by 14.4%. On the whole, as shown in the previous table, hydroelectric power segment production came in 4.9% below historical first-quarter averages. As evidenced by first-quarter results, geographic diversification in the hydroelectric power comprising the United States, Québec and British Colombia continues to contribute favourably.

Segment revenues the first quarter of 2013 amounted to \$14.1 million compared with \$14.0 million for the same period of 2012. An unfavourable volume effect of nearly \$1.0 million of the U.S. power stations was nearly entirely offset by a \$0.9 million favourable price effect. The latter resulted primarily from a marked increase in the average electricity selling prices obtained in the Northeastern United States open market by the four U.S. power stations not covered by power sales contracts, and to a lesser extent, from selling price indexation at Canadian power stations. These items, along with lower maintenance costs, drove growth in first-quarter EBITDA, which totalled \$11.3 million in 2013, up from \$10.6 million a year earlier.

## Projects under Development and Outlook

Boralex is currently developing a 22 MW run-of-river hydroelectric power station project, namely the Jamie Creek power station near Gold Bridge in British Colombia, Canada. Construction of this power station, which requires investments of approximately \$60 million, began in fall 2012 with a view to commercial commissioning in 2014. Jamie Creek is expected to generate approximately 70,000 MWh of power annually and is covered by a 40-year power purchase agreement with BC Hydro that also contains a 20-year renewal option for the Corporation. Boralex expects to finalize long-term financing for this project by the third quarter of 2013.

During fiscal 2013, Boralex will have to commence work at the Buckingham power station in Québec, Canada to comply with the *Dam Safety Act*. Concurrently with this work, management is still reviewing various investment scenarios aimed at expanding the power station's current installed capacity by up to 10 MW.

Boralex is currently reviewing various acquisition opportunities to grow its hydroelectric segment, particularly in Ontario and British Colombia. With over twenty years' experience in hydroelectric power, a skilled team and high-quality assets, Boralex believes it is poised to make further inroads into the hydroelectric market. The Corporation has a large hydroelectric power base with good geographic distribution, attractive profit margins, and steady and predictable cash flows. This balanced profile softens the impact on segment results of weather or economic conditions, including fluctuations in open market selling prices in the United States, and U.S. and Canadian dollar exchange rate movements. Given the quality of our assets and the ongoing maintenance program underway at all Boralex hydroelectric power stations, there is no indication that production will not be in line with historical averages. In addition, the Canadian power stations will continue benefitting from indexation under power sales contracts, as well as from capacity premiums, throughout the initial contract term.

## Thermal Power Stations

The main differences in revenues from energy sales and EBITDA are as follows:

(in thousands of dollars)	Revenues from energy sales	EBITDA
<b>THREE-MONTH PERIOD ENDED MARCH 31, 2012</b>	<b>22,242</b>	<b>8,395</b>
Shutdown of Kingsey Falls power station	(10,715)	(4,904)
Pricing	(454)	(454)
Volume	627	405
Translation of self-sustaining subsidiaries (exchange rate effect)	105	30
Capacity premiums	732	732
Raw material costs	—	(166)
Maintenance	—	190
Other	9	440
<b>THREE-MONTH PERIOD ENDED MARCH 31, 2013</b>	<b>12,546</b>	<b>4,668</b>

## Operating Results for the Three-Month Period

The key development affecting results for the three-month period ended March 31, 2013 was clearly the impact of the shutdown of Kingsey Falls power station, which dampened revenues and EBITDA by \$10.7 million and \$4.9 million, respectively. Given that the first quarter is traditionally the strongest each year at this power station, its shutdown will have a significantly smaller impact on results for the remaining three quarters.

Excluding the Kingsey Falls power station, the thermal power segment stepped up first-quarter electricity production by 17.9% to 70,879 MWh from 60,102 MWh last year. This growth was driven by the Senneterre wood-residue power station through significantly improved productivity relative to the previous year, due in particular to higher raw material availability and quality, resulting in improved equipment efficiency and fewer stoppages. Under an agreement entered into with Hydro-Québec, this power station only produces electricity six months of the year, from December to March and in July and August. Accordingly, the facility was fully operational during the three-month periods ended March 31, 2013 and 2012. The Blendecques natural gas cogeneration power station in France, which was fully operational in both comparative periods, saw a slight decrease of 1.7% in its power production, while its steam production remained stable compared to the previous year.

Thermal power segment revenues for the first quarter of 2013 totalled \$12.5 million, compared with \$22.2 million for the same period of 2012. Excluding Kingsey Falls, quarterly revenues were up \$1.0 million or 8.8% year over year, owing primarily to the Senneterre power station, where revenues surged 34.6%. Higher output at this power station generated a \$0.6 million positive net volume effect for the segment as a whole, while capacity premiums rose \$0.7 million. Revenues were down 6.0% at the Blendecques power station, due to in part to a slight decline in production, but particularly to a sharp drop in the average steam price, which trimmed segment revenues by \$0.5 million, a decline offset however by a \$0.1 million favourable exchange effect triggered by a stronger euro.

Segment EBITDA totalled \$4.7 million, compared with \$8.4 million for the same period of 2012. Excluding Kingsey Falls, segment EBITDA rose \$1.2 million or 33.7% year over year, due once again to the Senneterre power station's contribution, which surged 119.7%. In addition to a favourable effect of more than \$1.1 million owing to higher production and capacity premiums, the Senneterre facility got a boost from lower raw material costs due to improved combustion and reduced maintenance costs and a number of other expenses. EBITDA at the Blendecques power station was down 24.4%. In addition to the \$0.5 million unfavourable effect of lower steam prices, this facility reported sharply higher raw material costs due to renewing its supply contract under less favourable terms than previously. However, these unfavourable items were partially offset by decreases in, or the non-recurrence of, certain costs incurred by this power station in 2012.

## Outlook

Since 2011, Boralex has considerably reduced the relative weight of the thermal power segment in its energy portfolio. While thermal power is not a preferred development target under Boralex's growth strategy, the Corporation is still open to business opportunities that may arise in the sector, provided the assets are covered by long-term power sales and raw material supply contracts, and meet Boralex's market position and performance objectives.

## **Canada**

In fiscal 2013, under the agreement entered into with Hydro-Québec, the Senneterre power station will produce electricity during six months only, as in 2012. Profitability at this facility should be at least comparable to 2012 levels, given the safeguard provisions in the agreement.

For fiscal 2013 as a whole, the shutdown of cogeneration operations at the Kingsey Falls power station will give rise to a shortfall of approximately \$10 million in thermal power segment EBITDA and Boralex's consolidated EBITDA, which management expects to be offset, however, by expansion in the wind power segment on a consolidated level. This will lead in particular to further reductions in the thermal power segment's contribution to the Corporation's overall results. Moreover, the Corporation is currently in discussions with the industrial client of the Kingsey Falls power station regarding a new steam supply contract. Whatever the outcome of these discussions, Boralex's results will not be significantly impacted.

## **France**

Since 2005, given the ceiling price stipulated in its power sales contract with EDF and natural gas prices, the Blendecques power station has operated its cogeneration equipment only five months per year, from November to March. This year, however, the power station is scheduled to suspend its electricity production at the end of April 2013 under an agreement with EDF.

Given that the power sales contract covering the Blendecques facility expired in March 2013, Boralex has been in talks with EDF over the past few months to enter into a new power sales contract under terms and conditions allowing the Corporation to modernize its cogeneration power station while meeting its performance requirements. This investment is required to secure a 12-year power purchase agreement with a binding purchase rate. The outcome of negotiations to enter into a new agreement with EDF will determine whether the power station's facilities resume operations in November 2013. The project, which has secured the support from the power station's industrial steam client, would require an investment of about €6 million. Boralex's management feels that efforts to secure a new agreement are proceeding positively and, as a result, is hopeful it will reach a favourable outcome that would make it possible to significantly extend the power station's useful life while enhancing efficiency.

## Solar Power Station

The main differences in revenues from energy sales and EBITDA are as follows:

(in thousands of dollars)	Revenues from energy sales	EBITDA
<b>THREE-MONTH PERIOD ENDED MARCH 31, 2012</b>	576	495
Volume	(110)	(110)
Other	13	(3)
<b>THREE-MONTH PERIOD ENDED MARCH 31, 2013</b>	479	382

### Operating Results for the Three-Month Period

The Avignonet-Lauragais solar power station, in Southwestern France, generated 1,079 MWh in the first quarter of 2013 compared with 1,329 MWh in the same period of 2012. This decrease in production resulted from a decline of approximately 47% in average irradiation between the two comparative periods, which was offset however by increased solar panel performance. Note that the first quarter is one of the year weakest due to the seasonal cycle of solar operations.

A drop in production output had a \$0.1 million unfavourable effect on the facility's quarterly revenues and EBITDA, which amounted to \$0.5 million and \$0.4 million, respectively, for a profit margin of 79.7%.

Since the mid-June 2011 commissioning, productivity and profitability at Boralex's first solar power station have met management's expectations. While the facility's contribution to the Corporation's consolidated results remains marginal, Boralex's management believes its strong performance to be a reflection of the intrinsic quality of this first solar project with regard to choice of technology, location and contractual benefits, as well as growing expertise within the Boralex team.

### Outlook

Broadly speaking, Boralex expects its solar power station to generate an average of approximately 5,000 MWh of electricity for the first ten years, with an average EBITDA margin expected to range from 80% to 85% over the period.

Solar power is a growth industry with market rules and government directions to be worked out in the years to come. Boralex believes this clean and abundant source of renewable energy has great potential, particularly as performance is gradually improved through technological breakthroughs, thereby lowering the cost of equipment. In addition to the European market, more specifically France, where Boralex has built a skilled solar project development team, the Corporation takes a keen interest in Ontario, which could offer great potential for Boralex's first Canadian foray in this niche market.

# Cash Flows

(in thousands of dollars)	Three-month periods ended March 31	
	2013	2012
Net cash flows related to operating activities	22,450	33,074
Net cash flows related to investing activities	(10,132)	(3,535)
Net cash flows related to financing activities	(4,180)	(12,064)
Cash related to discontinued operations	98	(4,247)
Translation adjustment on cash and cash equivalents	363	(514)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>8,599</b>	<b>12,714</b>

## Operating Activities

During the first quarter of fiscal 2013, Boralex reported \$23.0 million or \$0.61 per share in cash flows from operations compared with \$21.8 million or \$0.58 per share for the same period of 2012. Excluding non-cash items from net earnings for the two comparative periods, this increase resulted primarily from decreases in interest and income taxes paid of \$0.9 million and \$0.3 million, respectively. The change in non-cash items related to operating activities required a \$0.5 million cash outflow (compared to an \$11.2 million cash inflow for 2012). The cash outflow in 2013 resulted in large part from a \$4.5 million decrease in *Trade and other receivables*, which was offset by a \$5.1 million drop in *Trade and other payables*, these changes mainly reflecting the Corporation's normal seasonal business cycle and payments made, in the first quarter of 2013, to suppliers involved in building the La Vallée wind farm and the Jamie Creek hydroelectric power station in 2012.

In light of the foregoing, operating activities generated net cash flows totalling \$22.4 million for the first quarter of fiscal 2013, compared with \$33.1 million for the previous year.

## Investing Activities

Since the beginning of fiscal 2013, investing activities have required cash outflows of \$10.1 million, detailed as follows:

- An amount of \$8.4 million for additions to property, plant and equipment. From this amount, \$4.5 million has been invested in the wind power segment, mainly for construction of sites currently in development in France, \$2.2 million has been invested in the hydroelectric segment, essentially for construction of the Jamie Creek power station, \$1.1 million was spent in the corporate segment and \$0.5 million for final payment on solar power station equipment, upon completion of the holdback period to management's satisfaction;
- An additional \$0.8 million injected into restricted cash in connection with various projects in the wind power market in France; and
- An amount of \$1.0 million for various projects under development, mainly Canadian wind power sites.

## Financing Activities

During the first quarter of fiscal 2013, financing activities required total net cash outflows of \$4.2 million. In particular, the Corporation repaid \$9.6 million on existing non-current debt, of which \$7.0 million pertained to its debt in France. Conversely, the Corporation contracted a total amount of \$5.1 million in non-current debt, mainly in connection with the La Vallée wind power site development in France.

## Discontinued operations

For the three-month period ended March 31, 2013, discontinued operations generated \$0.1 million in cash compared with an outflow of \$4.2 million for the corresponding quarter in 2012.

## Net Change in Cash and Cash Equivalents

Total cash movements for the first three months of fiscal 2013 resulted in a \$8.6 million increase in cash and cash equivalents to \$115.7 million as at March 31, 2013 from \$107.1 million as at December 31, 2012.

### TO SUM UP,

apart from maintaining significant capacity to generate cash flows from operations, cash flows for the first three months of fiscal 2013 primarily reflected the use, in line with management's commitment, of the Corporation's significant financial resources in favour of the development of its two strategic sectors: wind and hydroelectric power. Boralex will commission a contracted installed capacity with a total net interest of an additional 176 MW by late 2013, 117 MW in 2014 and 63 MW in 2015, not including other projects which will likely be added to its pipeline in the coming quarters. This expansion dovetails with the Corporation's vision of long-term value creation, predicated on developing an asset base that generates high profit margins along with growing and predictable cash flows. The return on this strategy adopted by Boralex back in 2009 is clearly reflected by significant and steady cash flows from operations, which are conducive to a solid cash position and sound capital structure.

# Financial Position

## Summary of Significant Changes

Apart from the exchange rate effect, changes in the Corporation's financial position between December 31, 2012 and March 31, 2013 mainly reflect the normal seasonal business cycle as well as the ongoing development of its wind power and hydroelectric projects.

### Assets

Boralex's total assets varied little from December 31, 2012 and March 31, 2013, totalling \$1,228.4 million as at March 31, 2013, compared with \$1,229.9 million as at December 31, 2012.

Non-current assets fell slightly by \$6.7 million due mainly to the amortization of property, plant and equipment and intangible assets during the period. Current assets grew by \$5.2 million, owing primarily to cash generated by the operations of the Corporation.

### Working Capital

As at March 31, 2013, the Corporation had a working capital surplus of \$4.0 million with a ratio of 1.02:1 compared with a working capital deficit of \$5.4 million and a ratio of 0.97:1 as at December 31, 2012. If a \$72.8 million U.S. note reaching maturity in August 2013 had not been reclassified to Current portion of debt, working capital would have been \$76.8 million with a coefficient of 1.80:1. The Corporation is currently in talks with various lenders to replace this note with new long-term facilities in an amount equal to or greater than the current balance, and does not foresee any difficulties regarding the outcome of that undertaking.

### Total Debt and Equity

As at March 31, 2013, the Corporation's total debt, consisting of non-current debt and the current portion of debt, and the liability component of convertible debentures, amounted to \$744.3 million compared with \$748.5 million as at December 31, 2012. This decrease is due to new debt contracted in France for \$4.4 million (€3.4 million), net of repayments on existing debt over the three-month period. Geographically, as at March 31, 2013, the Corporation's non-current debt proportions were unchanged from December 31, 2012, namely, 44% in France, 14% in the United States and 42% in Canada.

Net debt, as defined under *Non-IFRS Measures*, amounted to \$402.7 million as at March 31, 2013 compared with \$417.2 million as at December 31, 2012. Total equity increased by \$7.7 million between these two dates, from \$342.4 million to \$350.1 million. As a result, the net debt ratio, as defined under *Non-IFRS Measures*, fell from 42.1% as at December 31, 2012 to 41.0% as at March 31, 2013.

### Information about the Corporation's Equity Instruments

As at March 31, 2013, Boralex's capital stock consisted of 37,735,103 Class A shares issued and outstanding (37,734,895 as at December 31, 2012) and stock options outstanding numbered 1,978,023, of which 1,363,218 were exercisable. During the three-month period ended March 31, 2013, 208 shares were issued in connection with the conversion of 26 debentures. As at March 31, 2013, Boralex had 2,447,461 issued and outstanding convertible debentures (2,447,487 as at December 31, 2012).

From April 1, 2013 to May 7, 2013, no new shares were issued on exercise of stock options and 400 new shares were issued in connection with the conversion of 50 debentures.

### Related Party Transactions

The Corporation has entered into a management agreement with an entity controlled by Bernard Lemaire, one of Boralex's directors, and his family. For the three-month period ended March 31, 2013, revenues derived from the agreement amounted to \$0.1 million (\$0.1 million for the corresponding period of 2012).

Cascades provides the Corporation with various IT, engineering, transportation, maintenance and building repair services. For the three-month period ended March 31, 2013, these services amounted to \$0.2 million (\$0.2 million for the corresponding period of 2012).

### Transactions with the Joint Venture

During the three-month period ended March 31, 2013, the Corporation's share in the Joint Venture's results amounted to a \$0.2 million pre-tax loss. In addition, Boralex charged back \$0.7 million in salaries and other costs to the Joint Venture in connection with construction of the wind farm. Note that the Joint Venture is the key development tool for Phase 1 of the Seigneurie de Beaupré wind farm project which will be in service in late 2013.

# Outlook and Development Objectives

## 2013-2016 Outlook

For fiscal 2013, Boralex's management expects to maintain strong operating profitability due to the full-year contribution of the St-Patrick wind power station, compared with six months in 2012, and the commercial commissioning, late in 2013, of new energy assets in which Boralex's net share will total 176 MW.

This expansion is expected to readily offset the shortfall created by the electricity production shutdown at the Kingsey Falls thermal power station since November 2012. It will deliver the added benefit of enhanced geographic diversification for Boralex due in particular to its implementation in Québec and all regions of France, in addition to diversifying its technological skill-sets pertaining to the operation of a range of wind turbine types.

Above all, fiscal 2013 will be a year of transition into superior growth and profitability. In 2014, the Corporation will benefit from the full contribution of assets commissioned in 2013, in particular Phase 1 of the Seigneurie de Beaupré wind farms, in addition to commissioning other projects in Québec and France in which Boralex's net share will total 117 MW. Fiscal 2015 will mark the commissioning of other projects currently under development by the Corporation, representing the net addition of 63 MW to Boralex's wholly owned assets. To support execution of its various development projects, Boralex has a solid statement of financial position, including a cash position of \$121.6 million as at March 31, 2013.

In light of the expertise it has demonstrated for many years in the development, financing, construction, commissioning and profitable operation of increasingly large-scale energy assets, Boralex is confident it will be able to successfully complete all of its projects currently under development. With projects totalling about 100 MW in the Corporation's pipeline and the commissioning of sites under development, Boralex will be poised to double the size of operations and EBITDA by the end of 2016 without new capital subscriptions, or in other words, without diluting the interests of current shareholders.

## Development Objectives and Competitive Strengths

While keeping a close eye on international developments in green and renewal energy production, Boralex will continue seeking acquisition projects, mainly in Canada and France. The Corporation is primarily targeting projects in advanced stages of development or assets already in operation, provided they are all covered by long-term power sales contracts, to secure steady and predictable cash flows. More specifically, its expansion targets are as follows:

- The wind power segment, primarily in Québec, Ontario, British Columbia and France;
- The hydroelectric segment in Québec and British Columbia; and
- The solar power segment in Ontario and France.

Boralex believes its solid presence in those markets is conducive to further expansion and that current business conditions are ripe for further strategic growth through acquisitions, especially in light of the financing options available and the quality and attractive pricing of wind turbines available on the market. As well, the currently sluggish state of the global economy continues to prompt energy asset developers and operators to carve out assets for sale. Boralex intends to continue focusing on just such opportunities.

Boralex believes it commands a strong competitive edge to continue seizing the best market opportunities in terms of asset quality and available development projects, in line with its strategy. The Corporation's main strengths reside in its robust finances, its growing capacity to generate cash from operations and its targeted development approach, as well as a solid multidisciplinary team and its entrepreneurial culture. They provide for agile, well-orchestrated business acquisitions as opportunities arise and competent execution of increasingly large-scale projects while meeting budgets, deadlines and financial performance targets.

To support its growth projects and maintain current and future operational endeavours, Boralex will continue to strengthen its business model by:

- Maintaining comprehensive in-house expertise in developing and operating renewal energy production assets, supported by leading-edge management tools;
- A disciplined and targeted development approach based on meeting financial performance targets in step with the risks inherent in each project; and
- Assuring sound capital management and retaining sufficient financial flexibility to seize potential growth opportunities and ensure uninterrupted access to capital markets.

## TO SUM UP,

Boralex has set a target of doubling the size of its operational base and its EBITDA by the end of 2016, without diluting the interest of current shareholders. In the short, mid and long terms, the Corporation intends to continue set itself apart as one of the scant few Canadian and global producers devoted entirely to developing and operating renewable energies, particularly by its capacity to achieve high operational and earnings growth. To meet its growth goals, Boralex will remain a solid and innovative company, driven by clear objectives with rigorous attention to meeting target returns and guided by a long-term vision setting out its sources of production, its target markets and its approach to project development.

# Financial Instruments

## Foreign Exchange Risk

Generally, as regards operating cash flows generated by foreign subsidiaries, the Corporation is not significantly exposed to currency fluctuations, as its subsidiaries are self-sustaining foreign operations and typically keep liquid assets in their country of origin to pursue their development. However, the Corporation does not anticipate any short-term capital expenditures to expand its U.S. asset base. In light of the foregoing and due to excess cash generated by its U.S. subsidiaries, the Corporation is currently studying a number of medium-term hedging strategies and intends to implement the selected strategy over the next few quarters.

In connection with Canadian project development, certain future expenditures may be in foreign currencies. Where applicable, the Corporation's objective is to protect its anticipated return on equity by purchasing hedging instruments to eliminate volatility in expected expenditures and, in turn, stabilize significant costs such as turbines.

## Price Risk

In the Northeastern United States, a portion of the Corporation's power production is sold at market prices or under short-term contracts and is accordingly subject to fluctuations in electricity prices. Electricity prices vary according to supply, demand and certain external factors, including weather conditions, and the price from other sources of power. As a result, prices may fall too low for the power stations to yield an operating profit.

As at March 31, 2013, our power stations in France and Canada, as well as those in Middle Falls, Hudson Falls and South Glens Falls, have long-term power sales contracts, the vast majority of which are subject to partial or full indexation clauses tied to inflation. Consequently, only 4% of Boralex's installed capacity is exposed to price risk.

## Interest Rate Risk

As at March 31, 2013, approximately 40% of non-current 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 4% of total debt. As at March 31, 2013, the nominal balance of these swaps stood at \$343.7 million (€167.9 million and \$125.0 million) while their unfavourable fair value was \$48.1 million (€17.7 million and \$25.1 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, and fully intends to make every reasonable effort to protect the anticipated return on those projects. As a result, 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.

All of these contracts qualify for hedge accounting.

# Commitments and Contingencies

All commitments and contingencies are discussed in Boralex's annual MD&A for the fiscal year ended December 31, 2012, but during the quarter, the Corporation has concluded the new commitments below:

## Construction Contracts

- (a) For the Jamie Creek hydroelectric project in British Columbia with a 22 MW installed capacity acquired on October 25, 2012, the Corporation has entered into contracts for the construction and installation of the hydroelectric power station. Expenditures will be made according to the percentage of completion. As at March 31, 2013, the Corporation had additional net commitments of \$4.2 million.

## Joint Venture

- (b) In January 2013, the Joint Venture entered into a contract to purchase tracked vehicles. As at March 31, 2013, the Corporation's share in the net commitments of the Joint Venture was \$0.7 million.

# Risk Factors and Uncertainties

## Risk Factors

Boralex has not observed any significant changes regarding the risks to which it is subject, and which are discussed under *Risk Factors and Uncertainties* in Boralex's annual MD&A for the year ended December 31, 2012.

## Main Sources of Uncertainty Relating to Management's Key Estimates and Judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates and judgments that can materially affect the recognized amounts of revenues, expenses, comprehensive income, assets and liabilities, and the information reported in the unaudited interim condensed consolidated financial statements. Management determines its estimates based on a number of factors, namely its experience, current events and measures the Corporation could subsequently take, as well as other assumptions it deems reasonable given the circumstances. By their nature, these estimates are subject to estimation uncertainty and actual results may differ from them. Underlying estimates and assumptions are periodically reviewed and the impact of any changes is recognized immediately.

Items in question are presented in the Corporation's audited annual consolidated financial statements for the year ended December 31, 2012.

# Change in Accounting Estimate

## Change in Useful Life of a Wind Power Site Component

As of January 1, 2013, the Corporation changed the useful life of a component for certain wind turbine models. The estimated life, which was formerly 10 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 change in estimate was recorded prospectively. The estimated annual impact of this change in accounting estimate is a decrease of approximately \$1.2 million in annual amortization expense for future periods. The impact of this change for the three-month period ended March 31, 2013 is a \$0.3 million decrease in amortization expense.

# Change in Accounting Policies

## **IAS 34, Interim Financial Reporting**

This amended standard requires that comprehensive income be classified by nature and enhances disclosure requirements for financial instruments. The Corporation adopted this amended standard as at January 1, 2013 and this change had no impact on the Corporation's unaudited interim condensed consolidated financial statements

## 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 profit or 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 *Other comprehensive income* instead of the statement of earnings. This standard is required to be applied for accounting periods beginning on or after January 1, 2015, with earlier adoption permitted. The Corporation has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

### **IAS 32, Financial Instruments: Presentation (Revised 2011)**

In December 2011, the IASB revised IAS 32, *Financial Instruments: Presentation*, to clarify the existing requirements for offsetting financial instruments in the statement of financial position. The revised IAS 32 will be effective for the fiscal years of the Corporation beginning on or after January 1, 2014, with earlier adoption permitted. The Corporation has not yet assessed the impact of adopting these standards on its consolidated financial statements.

## 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, 2012, 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 first quarter ended March 31, 2013, 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.

# Consolidated Financial Statements

## Consolidated Statements of Financial Position

(in thousands of Canadian dollars) (unaudited)		As at March 31, <b>2013</b>	As at December 31, <b>2012</b>
	Note		
<b>ASSETS</b>			
Cash and cash equivalents		115,737	107,138
Restricted cash		5,818	5,063
Trade and other receivables		41,085	45,589
Inventories		3,978	4,404
Available-for-sale financial asset		2,564	3,009
Prepaid expenses		3,350	2,137
<b>CURRENT ASSETS</b>		<b>172,532</b>	<b>167,340</b>
Property, plant and equipment		684,673	689,024
Other intangible assets		251,848	253,115
Goodwill		48,600	48,663
Interest in the Joint Venture	4	58,166	58,994
Other non-current assets		12,585	12,735
<b>NON-CURRENT ASSETS</b>		<b>1,055,872</b>	<b>1,062,531</b>
<b>TOTAL ASSETS</b>		<b>1,228,404</b>	<b>1,229,871</b>
<b>LIABILITIES</b>			
Trade and other payables		41,853	46,945
Current portion of debt	5	99,812	98,570
Current income tax liability		1,793	1,741
Other current financial liabilities	8	25,058	25,508
<b>CURRENT LIABILITIES</b>		<b>168,516</b>	<b>172,764</b>
Non-current debt	5	417,457	423,616
Convertible debentures		227,059	226,299
Deferred income tax liability		31,568	29,514
Other non-current financial liabilities	8	23,084	24,698
Other non-current liabilities		10,612	10,611
<b>NON-CURRENT LIABILITIES</b>		<b>709,780</b>	<b>714,738</b>
<b>TOTAL LIABILITIES</b>		<b>878,296</b>	<b>887,502</b>
<b>EQUITY</b>			
Equity attributable to shareholders		326,764	319,868
Non-controlling shareholders		23,344	22,501
<b>TOTAL EQUITY</b>		<b>350,108</b>	<b>342,369</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1,228,404</b>	<b>1,229,871</b>

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

# Consolidated Statements of Earnings

(in thousands of Canadian dollars, except per share amounts) (unaudited)	Note	Three-month periods ended March 31	
		2013	2012
<b>REVENUES</b>			
Revenues from energy sales		50,736	57,451
Other income		315	150
		51,051	57,601
<b>COSTS AND OTHER EXPENSES</b>			
Operating expenses		12,849	20,426
Administrative		3,654	3,205
Development		1,080	671
Amortization		13,501	13,935
Other gains		(34)	—
Impairment of property, plant and equipment and intangible assets		—	823
		31,050	39,060
<b>OPERATING INCOME</b>		20,001	18,541
Financing costs		12,424	12,103
Foreign exchange loss (gain)		(8)	121
Net loss (gain) on financial instruments		203	(337)
<b>EARNINGS BEFORE THE FOLLOWING ITEMS</b>		7,382	6,654
Share in earnings (loss) of the Joint Venture	4	(215)	43
Income tax expense		2,730	1,759
<b>NET EARNINGS FROM CONTINUING OPERATIONS</b>		4,437	4,938
Net earnings from discontinued operations	6	161	2,323
<b>NET EARNINGS</b>		4,598	7,261
<b>NET EARNINGS ATTRIBUTABLE TO:</b>			
Shareholders of Boralex		4,168	7,149
Non-controlling shareholders		430	112
<b>NET EARNINGS</b>		4,598	7,261
<b>NET EARNINGS ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX:</b>			
Continuing operations		4,007	4,826
Discontinued operations		161	2,323
		4,168	7,149
<b>NET EARNINGS PER SHARE (BASIC) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX:</b>			
Continuing operations		\$0.11	\$0.13
Discontinued operations		—	\$0.06
	7	\$0.11	\$0.19
<b>NET EARNINGS PER SHARE (DILUTED) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX:</b>			
Continuing operations		\$0.11	\$0.12
Discontinued operations		—	\$0.06
	7	\$0.11	\$0.18

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

# Statements of Comprehensive Income

(in thousands of Canadian dollars) (unaudited)	Three-month periods ended March 31	
	2013	2012
<b>NET EARNINGS</b>	4,598	7,261
<b>Other comprehensive income to be subsequently reclassified to net earnings when certain conditions are met</b>		
Translation adjustments:		
Unrealized foreign exchange gain (loss) on translation of financial statements of self-sustaining foreign operations	981	(1,385)
Cash flow hedges:		
Change in fair value of financial instruments	257	(1,548)
Hedging items realized and recognized in net earnings	1,851	4,139
Taxes	(650)	(413)
Cash flow hedges - Joint Venture:		
Change in fair value of financial instruments	(613)	7,762
Taxes	79	(2,064)
Available-for-sale financial asset:		
Change in fair value of an available-for-sale financial asset	789	(64)
Items realized and recognized in net earnings	(37)	—
Total other comprehensive income	2,657	6,427
<b>COMPREHENSIVE INCOME</b>	7,255	13,688
<b>COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>		
Shareholders of Boralex	6,738	13,600
Non-controlling shareholders	517	88
<b>COMPREHENSIVE INCOME</b>	7,255	13,688
<b>COMPREHENSIVE INCOME ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX:</b>		
Continuing operations	6,577	11,277
Discontinued operations	161	2,323
	6,738	13,600

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

# Consolidated Statements of Changes in Equity

Three-month period  
ended March 31

**2013**

(in thousands of Canadian dollars) (unaudited)	Equity attributable to shareholders						Non-controlling shareholders	Total equity
	Capital stock	Equity component of convertible debentures	Contributed surplus	Retained earnings	Other comprehensive income (loss)	Total		
<b>BALANCE AS AT JANUARY 1, 2013</b>	222,870	14,379	6,945	144,492	(68,818)	319,868	22,501	342,369
Net earnings	—	—	—	4,168	—	4,168	430	4,598
Other comprehensive income	—	—	—	—	2,570	2,570	87	2,657
<b>COMPREHENSIVE INCOME</b>	—	—	—	4,168	2,570	6,738	517	7,255
Conversion of convertible debentures	2	—	—	—	—	2	—	2
Stock option expense	—	—	156	—	—	156	—	156
Contribution of non-controlling shareholders	—	—	—	—	—	—	326	326
<b>BALANCE AS AT MARCH 31, 2013</b>	222,872	14,379	7,101	148,660	(66,248)	326,764	23,344	350,108

Three-month period  
ended March 31

**2012**

(in thousands of Canadian dollars) (unaudited)	Equity attributable to shareholders						Non-controlling shareholders	Total equity
	Capital stock	Equity component of convertible debentures	Contributed surplus	Retained earnings	Other comprehensive income (loss)	Total		
<b>BALANCE AS AT JANUARY 1, 2012</b>	222,758	14,379	6,106	144,501	(65,980)	321,764	7,114	328,878
Net earnings	—	—	—	7,149	—	7,149	112	7,261
Other comprehensive income (loss)	—	—	—	—	6,451	6,451	(24)	6,427
<b>COMPREHENSIVE INCOME</b>	—	—	—	7,149	6,451	13,600	88	13,688
Conversion of convertible debentures	5	—	—	—	—	5	—	5
Stock option expense	—	—	50	—	—	50	—	50
Contribution of non-controlling shareholders	—	—	—	—	—	—	92	92
<b>BALANCE AS AT MARCH 31, 2012</b>	222,763	14,379	6,156	151,650	(59,529)	335,419	7,294	342,713

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

# Consolidated Statements of Cash Flows

(in thousands of Canadian dollars) (unaudited)	Note	Three-month periods ended March 31	
		2013	2012
Net earnings attributable to shareholders of Boralex		4,168	7,149
Less: Net earnings from discontinued operations	6	161	2,323
Net earnings from continuing operations attributable to shareholders of Boralex		4,007	4,826
Financing costs		12,424	12,103
Interest paid		(10,013)	(10,354)
Income tax expense		2,730	1,759
Income taxes paid		(757)	(1,696)
Non-cash items in earnings:			
Net loss (gain) on financial instruments		203	(337)
Share in loss (earnings) of the Joint Venture		215	(43)
Amortization		13,501	13,935
Impairment of property, plant and equipment and intangible assets		—	823
Other gains		(34)	—
Other		678	833
		22,954	21,849
Change in non-cash items related to operating activities		(504)	11,225
<b>NET CASH FLOWS RELATED TO OPERATING ACTIVITIES</b>		<b>22,450</b>	<b>33,074</b>
Additions to property, plant and equipment		(8,381)	(1,495)
Change in restricted cash		(755)	760
Increase in interest in the Joint Venture		—	(1,858)
Development projects		(977)	(1,010)
Other		(19)	68
<b>NET CASH FLOWS RELATED TO INVESTING ACTIVITIES</b>		<b>(10,132)</b>	<b>(3,535)</b>
Increase in non-current debt		5,050	—
Repayments on non-current debt		(9,553)	(12,076)
Contribution of non-controlling shareholders		323	—
Other		—	12
<b>NET CASH FLOWS RELATED TO FINANCING ACTIVITIES</b>		<b>(4,180)</b>	<b>(12,064)</b>
Cash from discontinued operations	6	98	(4,247)
<b>TRANSLATION ADJUSTMENT ON CASH AND CASH EQUIVALENTS</b>		<b>363</b>	<b>(514)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>		<b>8,599</b>	<b>12,714</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD</b>		<b>107,138</b>	<b>144,703</b>
<b>CASH AND CASH EQUIVALENTS - END OF PERIOD</b>		<b>115,737</b>	<b>157,417</b>

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

# Notes to Consolidated Financial Statements

As at March 31, 2013

(Tabular amounts are in thousands of Canadian dollars, unless otherwise specified.) (unaudited)

## Note 1.

### Incorporation and Nature of Business

Boralex Inc. and its subsidiaries ("Boralex" or the "Corporation") operate mainly as a private producer of energy. The Corporation has interests in 22 wind power stations, 14 hydroelectric power stations, two thermal power stations and a solar power facility for a total capacity of nearly 500 megawatts\* ("MW"). The Corporation also operates two hydroelectric power stations on behalf of an entity controlled by a director and officer of the Corporation. The generated power is sold mainly in Canada, the United States and France.

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

(\*The data expressed in MW and MWh contained in notes 1, 10 and 11 have not been reviewed by the auditors.)

## Note 2.

### Basis of Presentation

These unaudited interim condensed consolidated financial statements have been prepared in accordance with 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 Interpretations Committee ("IFRIC") applicable to the preparation of interim financial statements, and IAS 34, *Interim Financial Reporting*. The accounting policies followed in these unaudited interim condensed consolidated financial statements are the same as those applied in the audited annual consolidated financial statements of the Corporation for the year ended December 31, 2012, except for income taxes for the interim periods, which were calculated using the tax rate that would be applicable to expected earnings for each jurisdiction. The Corporation has consistently applied the same accounting policies for all of the periods presented. As permitted under IAS 34, these interim financial statements do not constitute a complete set of financial statements, as the Corporation does not present all of the notes to financial statements included in its annual report. To avoid repetition of previously reported information, the Corporation deemed it unnecessary to include such information and, therefore, readers should be aware that these financial statements constitute a condensed set of financial statements under IAS 34. These unaudited interim condensed consolidated financial statements are intended to provide an update on the latest complete set of annual financial statements and should therefore be read in conjunction with the Corporation's audited annual consolidated financial statements for the year ended December 31, 2012.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Corporation's accounting policies. These areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in the Corporation's audited annual consolidated financial statements for the year ended December 31, 2012.

The Board of Directors approved these financial statements on May 7, 2013.

## Note 3.

### Accounting Policies

#### Change in Accounting Estimate

##### Change in Useful Life of a Wind Power Site Component

As of January 1, 2013, the Corporation changed the useful life of a component for certain wind turbine models. The estimated life, which was formerly 10 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 change in estimate was recorded prospectively. The estimated annual impact of this change in accounting estimate is a decrease of approximately \$1,167,000 in annual amortization expense for future periods. The impact of this change for the three-month period ended March 31, 2013 is a \$292,000 decrease in amortization expense.

#### Change in Accounting Policies

##### IAS 34, Interim Financial Reporting

This amended standard requires that comprehensive income be classified by nature and enhances disclosure requirements for financial instruments. The Corporation adopted this amended standard as at January 1, 2013 and this change had no impact on the Corporation's unaudited interim condensed consolidated financial statements.

#### 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 profit or 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 *Other comprehensive income* instead of the statement of earnings. This standard is required to be applied for accounting periods beginning on or after January 1, 2015, with earlier adoption permitted. The Corporation has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

##### IAS 32, Financial Instruments: Presentation (Revised 2011)

In December 2011, the IASB revised IAS 32, *Financial Instruments: Presentation*, to clarify the existing requirements for offsetting financial instruments in the statement of financial position. The revised IAS 32 will be effective for the fiscal years of the Corporation beginning on or after January 1, 2014, with earlier adoption permitted. The Corporation has not yet assessed the impact of adopting these standards on its consolidated financial statements.

## Note 4.

### Interest in the Joint Venture

In June 2011, in connection with the Seigneurie de Beaupré 2 and 3 wind farm project, the Corporation entered into a partnership agreement with a subsidiary of Gaz Métro L.P. and created the joint venture Seigneurie de Beaupré 2 and 3 wind farm General Partnership (the "Joint Venture") located in Canada, 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 jointly but not severally. The Corporation's interest in the Joint Venture is accounted for using the equity method. The Joint Venture's year-end date is December 31.

The following table shows Boralex's interest in the Joint Venture (50%):

	Three-month period ended March 31	Twelve-month period ended December 31
	2013	2012
Balance - beginning of period	58,994	45,266
Cash contribution	—	17,735
Share in earnings (loss)	(215)	51
Share in comprehensive loss	(613)	(4,088)
Other	—	30
Balance - end of period	58,166	58,994

The following tables show all of the current assets, non-current assets, current liabilities, non-current liabilities, net earnings (loss) and comprehensive income (loss) of the Joint Venture:

	As at March 31, 2013	As at December 31, 2012
Current assets	15,871	19,884
Non-current assets	344,371	321,724
<b>TOTAL ASSETS</b>	<b>360,242</b>	<b>341,608</b>
Current liabilities	37,754	15,432
Non-current liabilities	206,156	208,188
<b>TOTAL LIABILITIES</b>	<b>243,910</b>	<b>223,620</b>
<b>NET ASSETS</b>	<b>116,332</b>	<b>117,988</b>

	Three-month periods ended March 31	
	2013	2012
Administrative	110	13
<b>OPERATING INCOME</b>	<b>(110)</b>	<b>(13)</b>
Interest income	(8)	(14)
Net loss (gain) on financial instruments	327	(190)
<b>NET EARNINGS (LOSS)</b>	<b>(429)</b>	<b>191</b>
Other comprehensive income (loss)	(1,226)	15,524
<b>COMPREHENSIVE INCOME (LOSS)</b>	<b>(1,655)</b>	<b>15,715</b>

### Commitment

All of the Corporation's share in the net commitments of the Joint Venture are presented in the annual financial statements of Boralex for the year ended December 31, 2012. However, during the quarter, the following new commitment was made:

#### Purchase Contract

In January 2013, the Joint Venture entered into a contract to purchase tracked vehicles. As at March 31, 2013, the Corporation's share in the net commitments of the Joint Venture was \$727,000.

## Note 5.

### Non-current Debt

	Note	Maturity	Rate <sup>(1)</sup>	As at March 31, <b>2013</b>	As at December 31, <b>2012</b>
Master agreement - wind farms (France)		2017-2022	5.02	153,273	161,042
Term loan payable - Nibas wind farm (France)		2016	5.00	4,806	5,104
Term loan payable - St-Patrick wind farm (France)		2025	5.00	47,108	47,448
Finance leases (France)		2014-2015	4.46	2,881	3,026
Term loan payable - Ocean Falls power station		2024	6.55	9,986	10,138
Term loan payable - Thames River wind farms		2031	7.05	171,878	173,481
Canadian senior secured note		2014	6.63	36,357	36,601
U.S. senior secured note	a)	2013	6.23	72,772	71,994
Term loan payable - Lauragais solar power station (France)		2025-2028	4.01	15,871	15,738
Term loan payable - La Vallée wind farm (France)	b)	2029	4.46	4,371	—
Other debts		—	—	4,940	4,877
				524,243	529,449
Current portion of debt				(99,812)	(98,570)
Borrowing cost, net of accumulated amortization				(6,974)	(7,263)
				417,457	423,616

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

- a) The U.S. note matures on August 31, 2013. The Corporation is currently in talks with various lenders to replace this note with new long-term facilities in an amount equal to or greater than the current balance.
- b) This loan payable, secured by the assets of the La Vallée wind farm in Europe, consists of €3,356,000 (\$4,371,000) drawn down under a total financing facility of €27,000,000 over 15 years. The Corporation will make quarterly repayments of principal and interest. The variable interest rate for this financing is based on EURIBOR, plus a margin of 2.6%. To reduce its exposure to rate fluctuations, an interest rate financial swap has been entered into with a notional amount of €27,000,000 (\$35,165,000) at a rate of 1.86% over 15 years. This swap secures a fixed rate for 100 % of the total debt.

The revolving credit facility with an authorized amount of \$60,000,000 has been extended by a one year, until June 30, 2014. The interest rate margins were adjusted downward by approximately 0.25%. The authorized amount could be increased by \$35,000,000 if the Corporation were to prepay its \$35,000,000 Canadian private placement, maturing on July 9, 2014, and pledge the underlying assets as security. Lastly, under the new agreement, there are no longer any restrictions on dividends payments to shareholders.

## Note 6.

### Discontinued Operations

Net earnings from discontinued operations are detailed as follows:

	Three-month periods ended March 31	
	<b>2013</b>	<b>2012</b>
Pre-tax operating income from discontinued operations	251	3,789
Income tax expense	90	1,466
Net earnings from discontinued operations	161	2,323

Cash flows related to discontinued operations are detailed as follows:

	<b>2013</b>	<b>2012</b>
Net cash flows related to operating activities	98	(4,247)
Cash related to discontinued operations	98	(4,247)

## Note 7.

### Net Earnings per Share

#### (a) Net Earnings per Share-Basic

(in thousands of Canadian dollars, except per share amounts and number of shares)	Three-month periods ended March 31	
	2013	2012
Net earnings attributable to shareholders of Boralex	4,168	7,149
Less:		
Net earnings from discontinued operations	161	2,323
Net earnings from continuing operations attributable to shareholders of Boralex	4,007	4,826
Weighted average number of shares - basic	37,735,065	37,726,689
Net earnings per share from continuing operations attributable to shareholders of Boralex - basic	\$0.11	\$0.13
Net earnings per share from discontinued operations - basic	—	\$0.06
Net earnings per share attributable to shareholders of Boralex - basic	\$0.11	\$0.19

#### (b) Net Earnings per Share-Diluted

(in thousands of Canadian dollars, except per share amounts and number of shares)	Three-month periods ended March 31	
	2013	2012
Net earnings attributable to shareholders of Boralex	4,168	10,430
Less:		
Net earnings from discontinued operations	161	2,323
Net earnings from continuing operations attributable to shareholders of Boralex	4,007	8,107
Weighted average number of shares	37,735,065	37,726,689
Dilutive effect of stock options	165,704	88,113
Dilutive effect of convertible debentures	—	19,589,001
Weighted average number of shares - diluted	37,900,769	57,403,803
Net earnings per share from continuing operations attributable to shareholders of Boralex - diluted	\$0.11	\$0.12
Net earnings per share from discontinued operations - diluted	—	\$0.06
Net earnings per share attributable to shareholders of Boralex - diluted	\$0.11	\$0.18

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

	Three-month periods ended March 31	
	2013	2012
Convertible debentures excluded due to their anti-dilutive effect	19,579,726	—
Stock options excluded due to their anti-dilutive effect	542,745	1,020,612

## Note 8.

### Financial Instruments

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

	As at March 31, <b>2013</b>		As at December 31, <b>2012</b>	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>OTHER LIABILITIES</b>				
Non-current debt	524,243	555,275	529,449	556,618
Convertible debentures	244,747	261,878	244,749	259,434

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

	As at March 31, <b>2013</b>	As at December 31, <b>2012</b>
<b>OTHER CURRENT FINANCIAL LIABILITIES</b>		
Financial swaps - interest rates	25,058	25,508
	25,058	25,508
<b>OTHER NON-CURRENT FINANCIAL LIABILITIES</b>		
Financial swaps - interest rates	23,084	24,698
	23,084	24,698

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

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

The fair value of non-current debt is essentially based on the calculation of discounted cash flows. Discount rates were determined based on local government bond yields adjusted for the risks specific to each of the borrowings and for credit market liquidity conditions. The convertible debentures and available-for-sale financial asset are traded on the stock exchange and their fair values are based on the prices as at March 31, 2013.

As at March 31, 2013	Maturity	Rate <sup>(1)</sup>	Discount rate	Fair value
Master agreement - wind farms (France)	2017-2022	5.02	5.02	153,273
Term loan payable - Nibas wind farm (France)	2016	5.00	2.54	4,896
Term loan payable - St-Patrick wind farm (France)	2025	5.00	5.00	47,108
Finance leases (France)	2014-2015	4.46	2.60	3,024
Term loan payable - Ocean Falls power station	2024	6.55	4.08	11,384
Term loan payable - Thames River wind farms	2031	7.05	5.06	201,177
Canadian senior secured note	2014	6.63	2.70	37,244
U.S. senior secured note	2013	6.23	2.42	73,239
Term loan payable - Lauragais solar power station (France)	2025-2028	4.01	2.45	16,631
Term loan payable - La Vallée wind farm (France)	2029	4.46	4.46	4,371
Other debts	—	—	—	2,928
Convertible debentures	2017	6.75	—	261,878

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

### Financial Swaps - Interest Rates

Cash flows are discounted using a curve that reflects the credit risk of the Corporation or the counterparty, as applicable. The following table summarizes the Corporation's commitments under interest rate swaps as at March 31, 2013:

As at March 31, 2013	Currency	Fixed-rate payer	Fixed-rate receiver	Maturity	Current notional (in C\$)	Fair value (in C\$)
Financial swaps - interest rates	Euro	1.860% - 5.155%	6-months EURIBOR	2015-2028	218,730	(23,084)
Financial swaps - interest rates	CAD	4.61% - 4.66%	3-months CDOR	2031	125,000	(25,058)

Financial swaps - interest rates with maturities in 2031 contain an early termination clause that is mandatory in 2013. As a result, they are presented as current financial liabilities.

## Hierarchy of Financial Assets and Liabilities Measured at Fair Value

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

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

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

The Corporation classified the available-for-sale financial asset and convertible debentures as Level 1, as their fair values are determined using quoted market prices.

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

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

	Fair value hierarchy levels			
	As at March 31, <b>2013</b>	Level 1	Level 2	Level 3
<b>FINANCIAL ASSETS</b>				
Available-for-sale financial asset	2,564	2,564	—	—
	2,564	2,564	—	—
<b>OTHER LIABILITIES</b>				
Non-current debt	555,275	—	555,275	—
Convertible debentures	261,878	261,878	—	—
	817,153	261,878	555,275	—
<b>FINANCIAL LIABILITIES</b>				
Financial swaps - interest rates	48,142	—	48,142	—
	48,142	—	48,142	—

	Fair value hierarchy levels			
	As at December 31, <b>2012</b>	Level 1	Level 2	Level 3
<b>FINANCIAL ASSETS</b>				
Available-for-sale financial asset	3,009	3,009	—	—
	3,009	3,009	—	—
<b>OTHER LIABILITIES</b>				
Non-current debt	556,618	—	556,618	—
Convertible debentures	259,434	259,434	—	—
	816,052	259,434	556,618	—
<b>FINANCIAL LIABILITIES</b>				
Financial swaps - interest rates	50,206	—	50,206	—
	50,206	—	50,206	—

## **Note 9.**

### **Commitments and Contingencies**

All commitments and contingencies are discussed in Boralex's annual financial statements for the year ended December 31, 2012. However, during the quarter, the Corporation concluded the following new commitment:

#### **Construction Contracts**

For the Jamie Creek hydroelectric project in British Columbia with a 22 MW installed capacity acquired on October 25, 2012, the Corporation has entered into contracts for the construction and installation of the hydroelectric power station. Expenditures will be made according to the percentage of completion. As at March 31, 2013, the Corporation had additional net commitments of \$4,207,000.

## **Note 10.**

### **Seasonal and Other Cyclical Factors**

The Corporation's operations and results are partly subject to seasonal cycles and other cyclical factors that vary by segment. Since nearly all of Boralex facilities have long-term indexed fixed-price power sales contracts, seasonal cycles mainly affect the total volume of power generated by the Corporation. Only four hydroelectric power stations in the United States, accounting for only 4% of the Corporation's total installed capacity in operation, are not covered by long-term sales contracts.

Operating volumes at Boralex facilities are influenced by the following seasonal factors, depending on their specific power generation method.

#### **Wind**

For the 286 MW\* of Boralex's wind power assets currently in operation, 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 winter there is a greater risk of lower production caused by weather conditions, such as icing. In general, management estimates that approximately 60% of annual production in its wind power segment is generated in the first and fourth quarters and 40% in the second and third quarters.

#### **Hydroelectricity**

For Boralex's hydroelectric assets totalling 136 MW\*, power output depends on water flow, which in Canada and the Northeastern United States tends to be at a maximum in spring and generally good in the fall, which are Boralex's second and fourth quarters. Historically, water flow tends to decrease in winter and summer. Note that apart from four hydroelectric power stations whose water flow is regulated upstream yet not under the Corporation's control, Boralex's other hydroelectric facilities do not have reservoirs that would permit water flow regulation during the year.

#### **Thermal**

Boralex owns and operates two thermal power stations for an aggregate 49 MW\* of installed capacity. Of the two, the Senneterre power station in Québec, Canada, is fuelled by wood-residue and is covered by a Hydro-Québec power sales contract expiring in 2027. An agreement was entered into with Hydro-Québec under which this power station will produce power six months per year during 2012 and 2013, from December to March and in July and August. Given the terms of the agreement, the power station's results of 2012 have not been affected and those of 2013 are not expected to be affected, provided the facility operates at the projected level during its months in operation.

Boralex also operates a natural gas-fired power station located in Blendecques, France. Its sales contract with government corporation Électricité de France ("EDF") expired on March 31, 2013, but has been extended until April 30, 2013 at the request of EDF.

The power station is expected to resume operations in November 2013, once the Corporation has completed the process of securing a new power sales contract. To that end, the Corporation filed an application with the French government for a power purchase obligation certificate and believes it is well placed to sign a new 12-year agreement in the next few months, with the final business terms of the agreement to be confirmed by the French government.

Meanwhile, as in previous years, steam will be produced using an auxiliary boiler.

#### **Solar**

The Corporation's only solar power station (5 MW\*) currently in operation is located in Southwestern France. For this facility, which benefits from a long-term power sales contract, sunlight conditions are usually more favourable in the spring and summer, which fall during Boralex's second and third quarters. In view of these weather conditions, management estimates that approximately 65% of the annual production at its solar power station will be generated in the second and third quarters.

In short, while Boralex's performance remains partially exposed to seasonal cycles and other cyclical factors, substantially all of its revenues are now derived from assets covered by fixed-price and price-indexed contracts, thereby mitigating their effect. The Corporation also capitalizes on solid diversification in its power generation sources and favourable geographic positioning.

## Note 11.

### Segmented Information

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

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

EBITDA 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, or as a measure of operating results, which are IFRS measures.

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

	Three-month periods ended March 31	
	2013	2012
Net earnings attributable to shareholders of Boralex	4,168	7,149
Net earnings from discontinued operations	(161)	(2,323)
Non-controlling shareholders	430	112
Income tax expense	2,730	1,759
Net loss (gain) on financial instruments	203	(337)
Foreign exchange loss (gain)	(8)	121
Financing costs	12,424	12,103
Impairment of property, plant and equipment and intangible assets	—	823
Other gains	(34)	—
Amortization	13,501	13,935
EBITDA	33,253	33,342

Note 11. Segmented information (Cont'd)

## Information by Operating Segment

	Three-month periods ended March 31		Three-month periods ended March 31	
	2013	2012	2013	2012
	<b>Power production (MWh*)</b>		<b>Revenues from energy sales</b>	
Wind power stations	191,028	172,405	23,598	20,647
Hydroelectric power stations	148,473	163,095	14,113	13,986
Thermal power stations	70,879	118,323	12,546	22,242
Solar power station	1,079	1,329	479	576
	411,459	455,152	50,736	57,451
	<b>EBITDA</b>		<b>Additions to property, plant and equipment</b>	
Wind power stations	19,875	16,977	4,459	347
Hydroelectric power stations	11,284	10,644	2,205	189
Thermal power stations	4,668	8,395	18	66
Solar power station	382	495	527	692
Corporate and eliminations	(2,956)	(3,169)	1,172	201
	33,253	33,342	8,381	1,495
			As at March 31, <b>2013</b>	As at December 31, <b>2012</b>
<b>Total assets</b>				
Wind power stations			591,545	597,237
Hydroelectric power stations			389,757	382,515
Thermal power stations			71,813	84,480
Solar power station			20,252	20,779
Corporate			155,037	144,860
			1,228,404	1,229,871
<b>Total liabilities</b>				
Wind power stations			495,321	505,713
Hydroelectric power stations			149,781	148,477
Thermal power stations			26,561	26,914
Solar power station			20,479	20,931
Corporate			186,154	185,467
			878,296	887,502

## Information by Geographic Segment

	Three-month periods ended March 31		Three-month periods ended March 31	
	2013	2012	2013	2012
	<b>Power production (MWh*)</b>		<b>Revenues from energy sales</b>	
Canada	177,204	226,953	21,841	31,170
United States	98,568	113,472	8,340	8,403
France	135,687	114,727	20,555	17,878
	411,459	455,152	50,736	57,451
	<b>EBITDA</b>		<b>Additions to property, plant and equipment</b>	
Canada	14,629	17,327	3,328	365
United States	6,732	6,646	43	85
France	11,892	9,369	5,010	1,045
	33,253	33,342	8,381	1,495
			As at March 31, <b>2013</b>	As at December 31, <b>2012</b>
<b>Total assets</b>				
Canada			642,324	642,985
United States			193,321	186,491
France			392,759	400,395
			1,228,404	1,229,871
<b>Non-current assets, excluding Interest in the Joint Venture</b>				
Canada			497,066	498,019
United States			146,760	145,604
France			353,880	359,914
			997,706	1,003,537
<b>Total liabilities</b>				
Canada			479,793	481,774
United States			111,567	109,541
France			286,936	296,187
			878,296	887,502





