interim report 2
as at June 30,

08

Boralex

Profile

Boralex is a major private electricity producer whose core business is the development and operation of power stations that run on renewable energy. Employing close to 300 people, the Corporation owns and operates 21 power stations with an installed capacity of 351 MW in Québec, in the Northeastern United States and in France. In addition, the Corporation has 240 MW in contracted capacity for future generation sites. Boralex is distinguished by its diversified expertise and in-depth experience in three types of power generation: wind, hydroelectric and thermal. The shares of Boralex are listed on the Toronto Stock Exchange under the ticker symbol BLX (boralex.com).

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

Interim Management's Discussion and Analysis 2

as at June 30, 2008

DESCRIPTION OF BUSINESS

Boralex Inc. ("Boralex" or the "Corporation") is a private electricity producer whose core business is the development and operation of power stations that run on renewable energy. With nearly 300 employees in Canada, the Northeastern U.S. and France, the Corporation owns and operates 21 power generations sites with a combined total installed capacity of 351 megawatts (MW).

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

- In recent years, Boralex has become one of the biggest and most experienced **wind power** producers in France, where it currently operates seven wind farms, including 68 wind generators, with a total installed capacity of 108 MW. In addition, Boralex is currently developing major wind power projects in Canada, including two wind farms in Québec with a total capacity of 272 MW to be commissioned in 2013, as well as two wind farms in Ontario with a total potential capacity of 90 MW and 100 MW, respectively, which the Corporation expects to bring online as of 2009.
- Boralex has more than 15 years' experience generating **hydroelectric power**, and owns seven hydroelectric power stations, of which five are in the U.S. and two in Québec, with a total installed capacity of 25 MW. In addition, the Corporation recently entered into a purchase agreement for a 14.5 MW hydroelectric power station in operation in British Columbia, as well as for two projects under development in the same region representing an additional 10 MW.
- Boralex owns and operates seven **thermal power** stations, with a total installed capacity of 218 MW. The Corporation is North America's largest producer of wood-residue energy, with six thermal power stations located in the U.S. with a combined installed capacity of 204 MW. Furthermore, Boralex operates a 14 MW natural gas cogeneration power station in France.

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

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

INTRODUCTORY COMMENTS

GENERAL

This interim management's discussion and analysis (MD&A) reviews the operating results and cash flows for the three- and six-month periods ended June 30, 2008, compared with the corresponding three- and six-month periods ended June 30, 2007, as well as the Corporation's financial position as at such dates. It should be read in conjunction with the interim unaudited consolidated financial statements and the accompanying notes contained in this interim report, as well as with the audited consolidated financial statements and accompanying notes in the Corporation's most recent Annual Report, that is, for the fiscal year ended December 31, 2007.

Additional information about the Corporation, including the annual information form, previous annual reports, management's discussion and analysis and interim financial statements, as well as press releases, are issued separately and are also available on the SEDAR website (www.sedar.com).

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

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

The information contained in this interim MD&A reflects all material events up to August 7, 2008, the date on which the Board of Directors approved the interim financial statements and this MD&A.

Unless otherwise indicated, all financial information contained herein, including tabular amounts, is expressed 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. Therefore, some statements, including those regarding future results and performance, may constitute forward-looking statements within the meaning of securities legislation; they are based on current expectations. 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 the expectations, estimates and assumptions of Boralex's management as at August 7, 2008.

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.

Key factors that may result in material differences between the Corporation's actual results and the projections or expectations set forth in the forward-looking statements include, but are not limited to, the general impact of economic conditions, increases in raw material costs, currency fluctuations, volatility in electricity selling prices, the Corporation's financing capacity, adverse changes in general market and industry conditions, as well as other factors described in *Risks and Uncertainties* in the MD&A contained in the Corporation's Annual Report for the fiscal year ended December 31, 2007. Unless otherwise specified by the Corporation, the forward-looking statements do not take into account the possible impact on its activities of transactions, non-recurring items or exceptional items announced or occurring after the statements were issued.

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

COMPLIANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

Unless otherwise indicated, the financial information presented in this MD&A, including tabular amounts, is prepared in accordance with Canadian generally accepted accounting principles (GAAP). This MD&A also contains measures that are not recognized performance measures under GAAP. Thus, Boralex uses, for management purposes, earnings before interest, taxes, depreciation and amortization (EBITDA), as this method allows management to assess the operating and financial performance of the Corporation's various segments. Moreover, in analyzing changes in its financial position, the Corporation uses cash flows from operations, which is equal to cash flows related to operating activities before change in non-cash working capital items in the consolidated statement of cash flows. Both management and investors use this measure to assess the Corporation's ability to finance its expansion projects from its operating activities.

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

EFFECTIVENESS OF DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

In accordance with Canadian Securities Administrators Multilateral Instrument 52-109, the Corporation has filed certificates signed by the Chief Executive Officer and the Chief Financial officer who, among other things, report on the design of disclosure controls and procedures and the design of internal control over financial reporting.

Management has established and maintained disclosure controls and procedures in order to provide reasonable assurance that material information relating to the Corporation is made known to them in a timely manner. Management, including the Chief Executive Officer and the Chief Financial Officer, assessed the effectiveness of the Corporation's disclosure controls and procedures as at the date of the 2007 Annual Report and is of the view that they are effective. Since there have been no significant changes since December 31, 2007, management believes that these disclosure controls and procedures are still effective as at June 30, 2008.

Management is also responsible for the design of the Corporation's internal control over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. During the second quarter of 2008, Boralex implemented a new consolidation information system. This change did not stem from a failure of controls existing prior to implementation, but rather from the need to enhance the effectiveness of consolidation processes. As this system was being brought online, additional controls were executed to ensure continuing effectiveness of control procedures. Furthermore, management ensured that the reorganization of consolidation processes did not bear on overall control effectiveness, despite the fact that certain key controls were optimized subsequent to the new system's implementation. Management, including the Chief Executive Officer and the Chief Financial Officer, evaluated the design of the Corporation's internal controls over financial reporting as of the end of fiscal 2007 and believes the design to be sufficient to provide such reasonable assurance. As at the date of this interim MD&A, management had no knowledge of any change to the Corporation's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Corporation's internal control over financial reporting.

SEASONAL FACTORS

(in thousands of dollars, except amounts per share and number of shares)	SEPTEMBER 30, [1] 2007	DECEMBER 31, [1] 2007	MARCH 31, [1] 2008	JUNE 30, 2008
REVENUES FROM ENERGY SALES				
Wind power stations	5,977	8,015	10,170	**6,763**
Hydroelectric power stations	677	2,524	3,790	**3,200**
Wood-residue thermal power stations	25,689	29,973	34,336	**27,811**
Natural gas thermal power station	1,933	4,857	6,723	**2,675**
	34,276	45,369	55,019	**40,449**
EBITDA				
Wind power stations	4,891	7,013	8,504	**5,115**
Hydroelectric power stations	(493)	1,655	3,034	**2,391**
Wood-residue thermal power stations	7,458	10,668	11,071	**6,795**
Natural gas thermal power station	(221)	713	1,321	**(204)**
Corporate and eliminations	(1,710)	(1,375)	(39)	**(1,450)**
	9,925	18,674	23,891	**12,647**
NET EARNINGS	1,017	5,913	9,221	**1,135**
Per share (basic)	$0.03	$0.16	$0.25	**$0.03**
Per share (diluted)	$0.03	$0.15	$0.24	**$0.03**
Weighted average number of common shares outstanding (basic)	37,454,625	37,454,625	37,566,967	**37,818,503**

(in thousands of dollars, except amounts per share and number of shares)	SEPTEMBER 30, 2006	DECEMBER 31, 2006	MARCH 31, [1] 2007	JUNE 30, [1] 2007
REVENUES FROM ENERGY SALES				
Wind power stations	4,652	7,757	8,285	4,930
Hydroelectric power stations	1,785	2,867	3,079	2,859
Wood-residue thermal power stations	17,986	19,891	33,360	22,839
Natural gas thermal power station	2,220	4,954	6,094	1,725
	26,643	35,469	50,818	32,353
EBITDA				
Wind power stations	4,016	6,782	7,059	3,863
Hydroelectric power stations	815	1,974	2,082	2,191
Wood-residue thermal power stations	2,939	1,167	12,185	2,741
Natural gas thermal power station	236	1,322	2,101	(321)
Corporate and eliminations	366	715	2,209	(1,426)
	8,372	11,960	25,636	7,048
NET EARNINGS	1,140	4,636	9,777	4,838
Per share (basic)	$0.04	$0.15	$0.33	$0.15
Per share (diluted)	$0.04	$0.15	$0.32	$0.15
Weighted average number of common shares outstanding (basic)	30,049,586	30,049,586	30,061,484	32,526,623

[1] Certain comparative figures have been reclassified to conform to current period presentation.

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

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

Hydroelectric generation depends on water flow, which in Québec and the Northeastern U.S. tends to be at its maximum in spring and generally good in the fall, which represents Boralex's second and fourth quarters. Historically, water flow tends to decrease in winter and summer. Note that Boralex's hydroelectric power stations do not have reservoirs with which they could regulate water flow.

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

The natural gas cogeneration power station's long-term power sales contract with Électricité de France (EDF) contains a clause that limits electricity prices from April to October. When natural gas prices are high, the profit margin for this period is not sufficient to offset the ceiling on electricity prices. The cogeneration equipment may therefore be shut down, in which case the Corporation supplies its steam customer from an auxiliary boiler. Accordingly, in the past three fiscal years, the Corporation operated its cogeneration equipment only during the five winter months, which will also be the case in 2008.

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

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

FINANCIAL HIGHLIGHTS

	THREE-MONTH PERIODS ENDED JUNE 30,		SIX-MONTH PERIODS ENDED JUNE 30,	
(in thousands of dollars, unless otherwise specified)	2008	2007	2008	2007
REVENUES FROM ENERGY SALES				
Wind power stations	**6,763**	4,930	**16,932**	13,215
Hydroelectric power stations	**3,200**	2,859	**6,989**	5,938
Wood-residue thermal power stations	**27,811**	22,839	**62,147**	56,199
Natural gas power station	**2,675**	1,725	**9,398**	7,819
Corporate and eliminations	**–**	–	**2**	–
	40,449	32,353	**95,468**	83,171
EBITDA				
Wind power stations	**5,115**	3,863	**13,619**	10,922
Hydroelectric power stations	**2,391**	2,191	**5,425**	4,273
Wood-residue thermal power stations	**6,795**	2,741	**17,866**	14,926
Natural gas power station	**(204)**	(321)	**1,117**	1,780
Corporate and eliminations	**(1,450)**	(1,426)	**(1,489)**	784
	12,647	7,048	**36,538**	32,685
NET EARNINGS	**1,135**	4,838	**10,356**	14,615
Per share (basic)	**$0.03**	$0.15	**$0.27**	$0.47
Per share (diluted)	**$0.03**	$0.15	**$0.27**	$0.46
Weighted average number of shares outstanding	**37,818,503**	32,526,623	**37,692,735**	31,300,863

FINANCIAL HIGHLIGHTS (CONTINUED)

	JUNE 30, 2008	DECEMBER 31, 2007
FINANCIAL POSITION		
Total assets	**558,401**	514,731
Total debt [(1)]	**184,084**	175,533
Shareholders' equity	**294,634**	284,769

(1) Including long-term debt and its current portion.

ADDITIONAL INFORMATION ABOUT NON-GAAP PERFORMANCE MEASURES

In order to assess the performance of its assets and reporting segments, Boralex uses EBITDA and cash flows from operations as performance measures. Although EBITDA and cash flows from operations are non-GAAP performance measures, management believes these financial indicators to be widely used by investors to assess operational performance and the ability of a company to generate cash through its operations. Nevertheless, since these measures are not established under GAAP, 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 an indicator of operating results or cash flows, or as a parameter for measuring liquidity. In Boralex's consolidated statement of earnings, EBITDA is equal to *Operating earnings before amortization*.

The following table reconciles EBITDA to net earnings:

(in thousands of dollars)	THREE-MONTH PERIODS ENDED JUNE 30, 2008	2007	SIX-MONTH PERIODS TENDED JUNE 30, 2008	2007
Net earnings	**1,135**	4,838	**10,356**	14,615
Non-controlling interest	**23**	(3)	**117**	54
Income tax expense (recovery)	**1,642**	(506)	**7,080**	4,820
Financial costs	**2,991**	3,704	**6,456**	8,514
Financial instruments	**785**	(5,874)	**1,104**	(5,874)
Foreign exchange loss (gain)	**56**	361	**(418)**	308
Amortization	**6,015**	4,528	**11,843**	10,248
EBITDA	**12,647**	7,048	**36,538**	32,685

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

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

(in thousands of dollars)	THREE-MONTH PERIODS ENDED JUNE 30, 2008	2007	SIX-MONTH PERIODS TENDED JUNE 30, 2008	2007
Cash flows related to operating activities	**18,557**	10,094	**34,091**	22,991
Change in non-cash working capital items	**(9,140)**	(3,406)	**(3,926)**	3,789
Cash flows from operations	**9,417**	6,688	**30,165**	26,780

ANALYSIS OF CONSOLIDATED OPERATING RESULTS FOR THE THREE-MONTH PERIOD ENDED JUNE 30, 2008

The main favourable and unfavourable variances explaining the change in net earnings between the three-month periods ended June 30, 2008 and 2007 are shown in the following table:

	NET EARNINGS (IN MILLIONS OF DOLLARS)	PER SHARE (BASIC) (IN $)
THREE-MONTH PERIOD ENDED JUNE 30, 2007	**4.8**	**0.15**
Change in EBITDA	5.6	0.15
Amortization	(1.5)	(0.04)
Financial instruments	(0.8)	(0.02)
Termination of hedging	(5.9)	(0.16)
Financial costs	0.7	0.02
Income taxes	(2.1)	(0.06)
Other	0.3	0.01
Impact of the June 2007 share issue	–	(0.02)
THREE-MONTH PERIOD ENDED JUNE 30, 2008	**1.1**	**0.03**

During the second quarter of fiscal 2008, Boralex generated net earnings of $1.1 million or $0.03 per share (basic and diluted) compared with $4.8 million or $0.15 per share (basic and diluted) in the corresponding quarter of 2007. As shown in the above table, the $3.7 million decline in net earnings for the quarter was largely due to a $6.7 million unfavourable variance in financial instruments and a $2.1 million unfavourable variance in income tax expense. The unfavourable variances were attributable in large part to two non-recurring items that resulted in a substantial increase in 2007 second-quarter earnings, namely:

- The recognition in 2007 of a $5.9 million gain in fair market value of interest rate swaps subsequent to Boralex's termination of these hedging relationships; and
- Favourable tax adjustments totalling $1.8 million in the second quarter of 2007 owing to the reduction in income taxes in Canada and adjusted provisions in respect of certain tax risks.

From an operational standpoint, however, the Corporation's net profitability got a boost from a $5.6 million improvement in EBITDA to which all segments contributed, particularly the wood-residue and wind power segments. In addition, the $0.7 million reduction in financial costs coupled with certain other favourable factors partially offset the $1.5 million increase in amortization expense resulting in particularly from the Corporation's most recent expansion projects.

Excluding the previously mentioned items, the $0.12 decline in earnings per share was attributable to the increase in the weighted average number of shares outstanding resulting from the June 2007 issuance of 7.3 million shares.

Analysis of significant variances in consolidated revenues from energy sales and EBITDA

(in millions of dollars)	REVENUES FROM ENERGY SALES	EBITDA
THREE-MONTH PERIOD ENDED JUNE 30, 2007	**32.4**	**7.0**
Commissioning – La Citadelle and Avignonet-Lauragais	1.1	0.9
Price	3.9	3.9
Volume	0.4	0.1
RECs and green credits	3.7	2.4
Translation of self-sustaining operations	(1.2)	0.2
Cost of raw materials	–	(1.1)
Maintenance	–	(0.8)
Development expenses	–	(0.4)
Boralex Power Income Fund	–	0.7
Other	0.1	(0.3)
THREE-MONTH PERIOD ENDED JUNE 30, 2008	**40.4**	**12.6**

REVENUES FROM ENERGY SALES

For the quarter ended June 30, 2008, revenues from energy sales totalled $40.4 million, up $8.0 million or 24.7%, from $32.4 million for the same quarter in 2007. The fluctuation in exchange rates, primarily between the Canadian and U.S. dollars, had a $1.2 million adverse effect on revenues from energy sales without which these revenues would have grown over 28%. All operating segments helped drive revenue growth, particularly the wood-residue and wind power segments. The key factors behind the change in consolidated revenues from energy sales for the second quarter were as follows:

- A $3.9 million contribution in additional revenues due to overall price increases for the electricity sold by Boralex, mainly in the U.S., but also in France. The U.S. thermal and hydroelectric power stations benefited in particular from a 36.6% increase (in U.S. dollar terms) in the average selling price on the open market in the Northeastern U.S. compared with the same quarter of 2007. Market prices rose sharply compared with the two preceding quarters. The Blendecques, France natural gas-fired power station also benefited from higher steam selling prices, as these prices are partially indexed to natural gas prices in France;
- A $3.5 million increase in revenues from sales of RECs in the Northeastern U.S. and a $0.2 million increase from sales of green credits in France. Wood-residue thermal power stations sold US$7.8 million worth of RECs in the second quarter of 2008 compared with US$4.3 million in the corresponding quarter of the previous year, due mainly to the qualification of the Livermore Falls and Ashland power stations for the Connecticut REC program over the past year;
- A $1.1 contribution in revenues stemming from the July 2007 commissioning of the Corporation's La Citadelle, France wind farm, as well as the Avignonet-Lauragais site expansion in early April 2008; and
- Additional revenues totalling $0.4 million attributable to a slight organic increase in output at the Corporation's existing power stations.

Boralex generated a total of 334,955 MWh of electricity over the quarter, up 2.5% from the same period in 2007.

OTHER REVENUES

Boralex earned $3.5 million in revenues other than from energy sales in the second quarter of 2008 compared with $2.6 million in the corresponding period of 2007. This $0.9 million or 34.6% increase was due in large part to a $0.6 million increase in Boralex's share of the results of the Fund, owing to the Fund's strong performance. In addition, the Corporation earned $0.4 million in other revenues related mainly to professional fees collected in France for management of the construction site of a wind power facility belonging to a French company.

EBITDA

Consolidated EBITDA for the second quarter of 2008 was $12.6 million compared with $7.0 million for the same period last year. This sharp growth – $5.6 million or 80.0% – was attributable, in decreasing order, to the wood-residue segment, the wind power segment, the hydroelectric segment and the natural gas co-generation power station, which contributed $4.1 million, $1.2 million, $0.2 million and $0.1 million, respectively, to consolidated EBITDA.

Growth in quarterly EBITDA was influenced by the following key favourable factors:

- A $3.9 million direct contribution to EBITDA owing to higher selling prices;
- An additional $2.4 million contribution from sales of RECs and green credits, primarily from the wood-residue segment. The $1.3 million difference between the additional revenues and EBITDA generated by RECs stemmed mainly from the expenses incurred by the Ashland power station, which recently qualified for the Connecticut REC program, to transport its electricity into the New England Power Pool (NEPOOL) grid while still supplying its Maine client. Although REC sales at the Ashland power station are less profitable than at the Stratton and Livermore Falls facilities, this transaction still has a significant positive impact on the Corporation's bottom line. In addition, Boralex recently implemented a means of reducing electricity transmission costs at the Ashland power station by bringing the Stacyville, Maine power station back online;
- Additional operating income of $1.0 million attributable to higher output volume, of which $0.9 million stemmed from the commissioning of the Corporation's La Citadelle site and expanded capacity at the Avignonet-Lauragais site, and $0.1 million was driven by organic growth;
- An additional $0.7 million contribution related to the Corporation's share of the Fund's earnings; and
- The $0.2 million favourable effect attributable to foreign currency fluctuations.

On the other hand, the key factors that had an adverse impact on consolidated EBITDA for the quarter were as follows:

- A $1.1 million increase in raw material costs, of which $0.7 million stemmed from higher natural gas prices at the Blendecques, France, thermal power station and $0.4 million stemmed from the wood-residue segment due in particularly to higher transportation costs sparked by higher prices for oil and oil derivatives. In contrast, wood-residue prices have seen minimal increases in the second quarter and since the beginning of the current fiscal year;
- A $0.8 million increase in maintenance expenses arising primarily in the wood-residue segment in which major maintenance projects were of a larger scale than anticipated;
- An additional $0.4 million expense resulting from the Corporation's stepped-up development and prospecting initiatives; and
- Various other adverse factors, including the increase in variable compensation resulting from the higher profitability of certain power stations and the decline in renewable energy tax credits.

(A more detailed analysis of changes in revenues and EBITDA for each segment is presented in *Analysis of Segmented Performance for the Three- and Six-Month Periods Ended June 30, 2008*.)

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

Amortization expense totalled $6.0 million in the second quarter of 2008 compared with $4.5 million in the corresponding quarter of 2007. This $1.5 million or 33.3% increase resulted primarily from growth in the wind power segment in France with the commissioning of the Corporation's La Citadelle wind farm and expansion at the Avignonet-Lauragais site. This increase was also due to the effect of the euro's appreciation on the amortization of assets located in Europe. Lastly, the Corporation recorded a favourable adjustment in 2007 resulting from the remeasurement of the estimated useful life of certain intangible assets.

Financial costs expenses totalled $3.0 million compared with $3.7 million for the corresponding quarter in 2007. This 18.9% decline resulted from the decrease in interest paid on the line of credit subsequent to the June 2007 reduction of said line of credit using proceeds from the share issuance carried out a few days earlier, coupled with the collection of interest income on the excess cash resources arising from said issuance. These two items largely offset the additional interest on the debt contracted in order to commission the Corporation's La Citadelle wind farm and expand output capacity at its Avignonet-Lauragais site.

The $0.8 million loss on financial instruments recorded by Boralex in the second quarter of 2008 consisted mainly of the ineffective portion of the financial electricity swaps for the period. It should be noted that all of these swaps qualify for hedge accounting and are highly effective for managing exposure to electricity market prices.

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

As a result, in light of the unfavourable variance of over $6.7 million in financial instruments between the two comparative periods, earnings before income taxes were reduced by $1.5 million, despite the growth in operating income, to $2.8 million in the second quarter of 2008 from $4.3 million in comparable quarter of 2007. Excluding the effect of the gain recorded in 2007 subsequent to the termination of the hedge relationship related to these interest rate swaps during the refinancing process, earnings before income taxes for the second quarter of 2008 would have risen $4.4 million from the comparable quarter of 2007.

INCOME TAX EXPENSE

Boralex reported $1.6 million in income tax expense for the second quarter of 2008 compared with $0.5 million in income tax recovery for the comparable quarter of 2007, representing nearly $2.1 million unfavourable variance. The income tax recovery in the second quarter of 2007 resulted in large part from $1.8 million in favourable tax adjustments owing to the reduction in income tax rates in Canada and reduced provisions in respect of certain tax risks. In addition, the increase in the 2008 tax rate was triggered by the higher percentage of taxable income from the U.S. where the tax rate is higher.

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

NET EARNINGS

In light of the foregoing, Boralex ended the second quarter of fiscal 2008 with $1.1 million in net earnings or $0.03 per share (basic and diluted) compared with $4.8 million or $0.15 per share (basic and diluted) for the corresponding quarter of 2007. Excluding the effect of the gain recorded in 2007 subsequent to the termination of the hedge relationship related to the interest rate swaps during the refinancing process, net earnings for the second quarter of 2008 would have risen 37.5% compared with the second quarter of 2007. The weighted average number of shares outstanding was 37.8 million for the quarter, compared with 32.5 million for the same period in 2007, due to the June 7, 2007 issuance. Due to the seasonal nature of the Corporation's operations discussed above, Boralex's second and third quarters are generally less active and profitable than the first and fourth quarters.

In short, Boralex reported a significant improvement in operating income in the second quarter of 2008, due primarily to the following:
- The strength of the Connecticut REC market, supported by three of the wood-residue power stations in the second quarter of 2008 compared with a single such power station in 2007;
- Higher electricity and steam selling prices;
- Expansion in the wind power segment; and
- The improvement in the Fund's results.

ANALYSIS OF CONSOLIDATED OPERATING RESULTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2008

The main favourable and unfavourable variances behind the change in net earnings between the six-month periods ended June 30, 2008 and 2007 were as follows:

	NET EARNINGS (IN MILLIONS OF DOLLARS)	PER SHARE (BASIC) (IN $)
SIX-MONTH PERIOD ENDED JUNE 30, 2007	**14.6**	**0.47**
Change in EBITDA	3.8	0.10
Amortization	(1.6)	(0.04)
Financial instruments	(1.1)	(0.03)
Termination of hedging	(5.9)	(0.16)
Financial costs	2.0	0.05
Taxes	(2.3)	(0.06)
Other	0.9	0.02
Impact of the June 2007 share issue	–	(0.08)
SIX-MONTH PERIOD ENDED JUNE 30, 2008	**10.4**	**0.27**

During the first six months of fiscal 2008, Boralex generated cumulative net earnings of $10.4 million or $0.27 per share (basic and diluted) compared with $14.6 million or $0.47 per share (basic and $0.46 diluted) in the corresponding period of 2007. As discussed above, the $4.2 million decline in net earnings was mainly due to a $9.3 million unfavourable variance in financial instruments and income tax expense for the two periods. Excluding the effect of terminating the hedging of interest rate swaps, the Corporation would have reported a slight decline ($0.2 million) in net earnings compared with the same period of the previous year.

In addition, the growth in EBITDA was dampened by the $2.0 million adverse effect of foreign currency fluctuations and by the fact that the Corporation's 2007 results included a $1.0 million non-recurring gain on the disposal of development rights for a wind power site. Excluding these two items not directly related to day-to-day operations, Boralex posted an improvement of nearly $7 million in operating income. Profitability also got a boost from the decline in financial costs and a number of other favourable items, which readily offset the increased amortization expense resulting from the Corporation's expansion projects.

Excluding the above-mentioned items, the $0.20 decline in earnings per share was partially attributable to the increase in the weighted average number of shares outstanding resulting from the June 2007 issuance of 7.3 million shares.

Analysis of significant variances in consolidated revenues from energy sales and EBITDA

(in millions of dollars)	REVENUES FROM ENERGY SALES	EBITDA
SIX-MONTH PERIOD ENDED JUNE 30, 2007	**83.2**	**32.7**
Commissioning – La Citadelle and Avignonet-Lauragais	2.3	2.0
Operational shutdown (Stacyville)	(1.7)	(0.2)
Price	5.9	5.9
Volume	2.2	1.6
RECs and green credits	9.8	6.9
Translation of self-sustaining operations	(6.7)	(2.0)
CO_2 quota	–	(0.3)
Cost of raw materials	–	(6.3)
Maintenance	–	(0.9)
Development expenses	–	(0.8)
Boralex Power Income Fund	–	0.6
Sale of development rights in 2007	–	(1.0)
Other	0.5	(1.7)
SIX-MONTH PERIOD ENDED JUNE 30, 2008	**95.5**	**36.5**

REVENUES FROM ENERGY SALES

For the six-month period ended June 30, 2008, revenues from energy sales totalled $95.5 million, up $12.3 million or 14,8% from $83.2 million for the corresponding period of 2007. The fluctuation in exchange rates, primarily between the Canadian and U.S. dollars, had a $6.7 million adverse effect on revenues from energy sales, without which these revenues would have grown over 23%. All operating segments helped drive revenue growth, particularly the wood-residue and wind power segments. The growth in consolidated revenues from energy sales since the beginning of fiscal 2008 stemmed mainly from the following key factors:

- A $9.4 million increase in revenues from sales of RECs in the Northeastern U.S. and a $0.4 million increase from sales of green credits in France. Wood-residue thermal power stations sold US$18.4 million worth of RECs in the first half of 2008, compared with US$9.0 million in the first half of 2007, due primarily to the qualification of the Livermore Falls and Ashland power stations for the Connecticut REC program over the past year. This growth is even more significant given that last year, Boralex earned US$2.4 million in revenues from RECs issued in 2006 but sold in the first quarter of 2007 to capitalize on a rebounding market;
- An additional $5.9 million contribution stemming from higher electricity and steam selling prices. The U.S. thermal and hydroelectric power stations benefited in particular from a 20.7% increase (in U.S. dollar terms) in the average selling price on the open market in the Northeastern U.S. compared with the corresponding period of 2007;
- A $2.3 million contribution in revenues from the commissioning of the new wind farm in La Citadelle and additional equipment erected on the Avignonet-Lauragais site; and
- An additional $2.2 million in revenues were attributable to a 2.8% in output at the Corporation's other existing power stations (excluding the Stacyville wood-residue power station). However, the Stacyville power station was inoperative for the most part of the period, whereas it operated for two months in the first quarter of 2007, which translated into a revenue shortfall of $1.7 million. This facility was brought back online late in the second quarter of 2008.

Boralex generated a total of 804,558 MWh of electricity in the first half of fiscal 2008, up 2.4% from the same period in 2007.

OTHER REVENUES

Boralex earned $8.2 million in revenues other than from energy sales in the first half of 2008 compared with $9.0 million in the first half of 2007. This $0.8 million or 8.9% decline was largely due to the recognition in the first quarter of 2007 of $1.0 million in non-recurring revenues from the disposal of the development rights for a wind power site in France. In addition, the French natural gas power station did not record any sales of excess CO_2 emission quotas during the first half of 2008 compared with $0.3 million in sales for the first half of 2007. Moreover, the Company earned approximately $0.3 million in revenues to manage construction of a site it sold in 2007.

EBITDA

Cumulative consolidated EBITDA was $36.5 million for the first half of 2008, up $3.8 million or 11.6% from $32.7 million for the first half of 2007. Real growth would have been $6.8 million or 20.8% were it not for the aforementioned two items not directly related to day-to-day operations: the $2.0 million adverse effect of the fluctuation in exchange rates, which weighed particularly on the wood-residue segment, and the recognition of $1.0 million in non-recurring revenues from the 2007 sale of development rights for a wind power site.

Excluding these items, cumulative EBITDA was boosted by the following key favourable items:

- An additional $6.9 million contribution from sales of RECs and green credits, primarily from the wood-residue segment. The $2.9 million difference between the additional revenues and EBITDA generated by the RECs stemmed mainly from the electricity transmission costs incurred by the Ashland power station;
- The $5.9 million favourable impact on EBITDA from higher selling prices;
- Additional operating income of $3.4 million attributable to higher output volume, of which $2.0 million stemmed from the commissioning of the Corporation's La Citadelle site and expanded capacity at the Avignonet-Lauragais site, and $1.4 million owing to organic growth in output at the other power stations (net of additional costs incurred for the upkeep of the Stacyville power station during its inoperative period); and
- An additional $0.6 million contribution related to the Corporation's share of the Fund's earnings.

Conversely, excluding the adverse effect of the fluctuation in exchanges rates and non-recurring gain in 2007, the key factors that had an adverse effect on cumulative consolidated EBITDA were as follows:

- A $6.3 million aggregate increase in raw material costs, of which $2.1 million was attributable to higher natural gas prices at the natural gas-fired Blendecques thermal power station and $4.1 million to wood-residue segment;
- A $0.9 million increase in maintenance costs arising primarily from the wood-residue segment;
- An additional $0.8 million expense resulting from the Corporation's stepped-up development and prospecting initiatives;

- A $0.5 million aggregate decline in renewable tax credits and sales of excess CO_2 quotas through the Corporation's natural gas power station in France; and
- Various other adverse factors, including the increase in the Corporation's payroll to support operational growth and pursue its development projects, as well as the increase in variable compensation resulting from the enhanced profitability of certain power stations.

(A more detailed analysis of changes in revenues and EBITDA for each segment is presented in *Analysis of Segmented Performance for the Three- and Six-Month Periods Ended June 30, 2008*.)

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

During the first half of 2008, amortization expense totalled $11.8 million, up $1.6 million or 15.7% from $10.2 million in the first half of 2007. The additional amortization resulting from recent investments, including the commissioning of the Corporation's La Citadelle site and expansion at the Avignonet-Lauragais site, as well as the other investments made in 2007, was partially offset by the favourable effect – particularly in the first quarter of 2008 – of exchange rate fluctuations on the amortization of assets located in the U.S. and Europe. As mentioned in the quarterly analysis, the Corporation remeasured the estimated useful lives of certain intangible assets in 2007, which reduced the amortization expense for that period.

During the first half of 2008, financial costs totalled $6.5 million compared with $8.5 million for the first half of 2007. As explained in the discussion of second-quarter results, this $2.0 million or 23.5% decline was attributable to the June 2007 share issuance.

In the first half of 2008, the Corporation recorded a $1.1 million loss on financial instruments, mainly representing the ineffective portion of financial electricity swaps, compared with a $5.9 million gain realized in 2007 on the fair market value of interest rate swaps designated as hedging relationships. This unfavourable variance amounted to $7.0 million. This negative contribution was partially offset however by the recognition of $0.4 million in foreign exchange gains in the first half of 2008, representing a $0.7 million favourable variance compared with $0.3 million in foreign exchange losses in the first half of 2007.

In light of the foregoing, Boralex recorded $17.6 million in earnings before income taxes for the first half of 2008 compared with $19.5 million for the first half of 2007.

INCOME TAX EXPENSE

Boralex reported $7.1 million in income tax expense for the first half of 2008 compared with $4.8 million for the first half of 2007 owing in particular to favourable income tax adjustments made in the second quarter of 2007. In addition, Boralex's effective tax rate increased due to growth in taxable income earned in the U.S. where the tax rate is higher.

NET EARNINGS

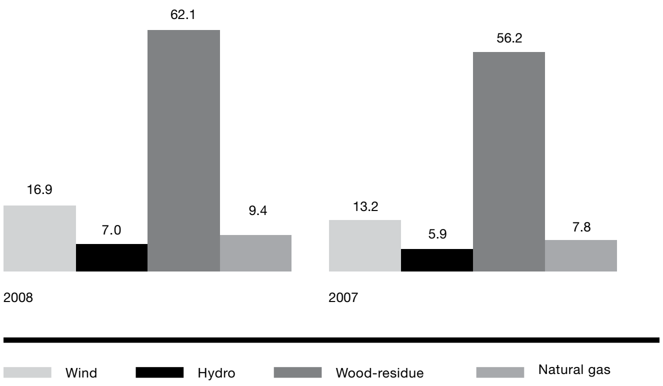
Boralex ended the first half of fiscal 2008 with net earnings of $10.4 million or $0.27 per share (basic and diluted) compared with $14.6 million or $0.47 per share (basic and $0.46 diluted) for the first half of 2007. Excluding the effect of the gain recorded in 2007 subsequent to the termination of the hedge relationship with regards to the interest rate swaps during the refinancing process, net earnings for the first half of 2008 eased slightly, declining $0.2 million compared the first half of the previous year. The weighted average number of shares outstanding was 37.7 million for the first half of 2008 compared with 31.3 million for the corresponding period of 2007 due to the June 7, 2007 issuance.

In short, excluding the favourable non-recurring items recognized in 2007 (including the $4.0 million gain on financial instruments, the $1.0 million sale of development rights for a wind power site and $1.8 million in tax adjustments), as well as the $2.0 million adverse effect of foreign currency fluctuations, Boralex improved its operational profitability in the first half of 2008 despite higher raw material costs. This robust performance was mainly due to the Corporation's participating in the REC market, selling price increases, expansion in its wind power segment and improved productivity at its existing wind farms, hydroelectric power stations and wood-residue power stations.

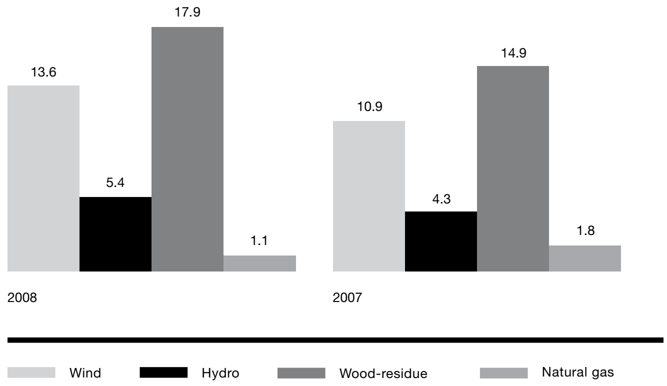
ANALYSIS OF SEGMENTED PERFORMANCE FOR THE THREE- AND SIX-MONTH PERIODS ENDED JUNE 30, 2008

RESULTS BY SEGMENT
(cumulative results of the first six months of 2008)

REVENUES FROM ENERGY SALES (MILLIONS OF $)



EBITDA (MILLIONS OF $)



In the first half of 2008, the contribution of the La Citadelle wind farm and expansion at the Avignonet-Lauragais site, coupled with productivity gains at the existing wind farms, grew by 28.0% boosting the wind power segment's share of consolidated revenues to 17.7% from 15.9% for the corresponding period of the previous year. In the first half of 2008, the hydroelectric segment posted revenue growth of 18.6%, driven by selling price increases and more favourable water flow conditions than in the first half of the previous year. The hydroelectric segment's share of revenues increased to 7.3% from 7.1% for the first half of 2007. The natural gas power station stepped up its contribution to 9.9% from 9.4% for the first six months of the previous year, owing primarily to a 20.5% revenue boost from selling price increases. Conversely, despite revenue growth of 10.5% in the first half of 2008 stemming mainly from higher REC sales and selling prices, the wood-residue segment's share of consolidated revenues eased to 65.1% from 67.6% in the first half of 2007, due to more robust growth in the other segments.

In light of the same factors outlined above, the wind power segment's EBITDA increased by 24.8%, while its contribution as a percentage of consolidated EBITDA (excluding the corporate and eliminations segment) increased to 35.8% for the first half of 2008 from 34.2% for the same period in 2007. Despite rising raw material costs and adverse foreign currency fluctuations, the wood-residue segment recorded growth of 20.1% in EBITDA for the first half of 2008, which lifted its contribution to aggregate earnings slightly higher to 47.1% from 46.7% for first half of 2007. The hydroelectric segment's share of EBITDA for the first half of 2008 rose to 14.2% from 13.5% in the first half of 2007 owing to a 25.6% increase in its cumulative EBITDA. Conversely, rising natural gas prices also played a role in reducing EBITDA at the French thermal power station by 38.9% in the first half of 2008, lowering its contribution to consolidated EBITDA to 2.9% from 5.6% in the first half of 2007.

WIND POWER STATIONS

Analysis of significant variances in revenues from energy sales and EBITDA

	THREE-MONTH PERIOD		SIX-MONTH PERIOD	
(in millions of $)	REVENUES FROM ENERGY SALES	EBITDA	REVENUES FROM ENERGY SALES	EBITDA
AS AT JUNE 30, 2007	**4.9**	**3.9**	**13.2**	**10.9**
Commissioning – La Citadelle and Avignonet-Lauragais	1.1	0.9	2.3	2.0
Price	0.1	0.1	0.2	0.2
Volume	0.1	0.1	0.7	0.7
Green credits	0.2	0.2	0.4	0.4
Translation of self-sustaining operations	0.4	0.3	0.2	0.2
Maintenance	–	(0.2)	–	(0.2)
Other	–	(0.2)	(0.1)	(0.6)
AS AT JUNE 30, 2008	**6.8**	**5.1**	**16.9**	**13.6**

During the second quarter of fiscal 2008, the wind power segment's revenues from electricity sales grew $1.9 million or 38.8% to $6.8 million compared with the corresponding quarter of 2007. The euro's appreciation against the Canadian dollar had $0.4 million favourable effect on segment revenues, without which they would have grown approximately 31%. The increase in wind power revenues was driven mainly by a 22.2% rise in output, which totalled 47,331 MWh and generated $1.2 million in additional revenues. Of that amount, $1.1 million was attributable to the commissioning of new wind turbines over the past 12 months, such as the Corporation's La Citadelle site with an installed capacity of 14 MWh, commissioned on July 18, 2007, and the new equipment brought online on April 1, 2008 at the Avignonet-Lauragais site to step up capacity by nearly 5 MW. Existing sites posted slightly higher output resulting from high availability of equipment, which translated into $0.1 million in additional revenues. Wind conditions did not change significantly in 2008 compared with the corresponding period in 2007. Moreover, the wind power segment earned additional revenues of $0.2 million from the sale of green credits and $0.1 million from the indexing of electricity selling prices.

The wind power segment's EBITDA for the second quarter of 2008 grew $1.2 million or 30.8% to $5.1 million compared with the corresponding quarter of 2007. The wind power segment's EBITDA/revenues margin was 75.0% for the second quarter of 2008 (79.6% for the same period in 2007), compared with an average EBITDA margin of 34.9% (26.2% in 2007) for all of Boralex's segments (excluding the corporate and eliminations segment). The increase in the segment's EBITDA contribution stemmed from the following factors, in decreasing order: commissioning of new wind turbines, the euro's appreciation, sales of green credits, output gains at existing sites and price indexation. However, the segment posted a $0.2 million rise in maintenance and certain other expenses.

For the first six months of fiscal 2008, revenues from the wind power segment climbed $3.7 million or 28.0% (26.5% excluding the exchange rate fluctuation) to $16.9 million. Output rose 22.3% to 123,153 MWh from 100,705 MWh, generating $3.0 million in additional revenues, of which $2.3 million resulted from newly commissioned equipment and $0.7 million from the output gains at existing wind farms owing to generally favourable wind conditions and high availability of equipment. The combined effect of electricity price indexing and green credit sales generated an additional $0.6 million.

These positive factors pushed up cumulative EBITDA by $2.7 million or 24.8% despite a $0.8 million rise in expenses, consisting of maintenance and certain other expenses, particularly taxes and rent. The wind power segment's cumulative EBITDA was $13.6 million, whereas its EBITDA margin was 80.5% (82.6% for the same period in 2007), compared with an average EBITDA margin of 39.8% (38.4% for the same period of 2007) for all segments (excluding the corporate and eliminations segment).

In addition to ongoing development initiatives in France, Boralex is currently working on major wind power development projects in Canada. Among other projects, the two La Seigneurie de Beaupré wind farms in Québec, with an anticipated total capacity of 272 MW, 136 MW of which will belong to Boralex, are slated for commissioning in 2013. The Corporation also holds the development rights on a portfolio of wind power sites in Ontario with a potential total capacity of 90 MW, which it expects to bring online between 2009 and 2010. Moreover, on July 9, 2008, Boralex announced that it has acquired the rights for a wind project with a potential installed capacity of 100 MW in Ontario. The aggregate potential capacity of all these projects represents an additional 462 MW, of which 326 MW will belong to Boralex, which the Corporation intends to develop in the short and medium term.

(For further details on the Corporation's wind power projects, please refer to *Significant Subsequent Event* and *Outlook* in this interim MD&A.)

HYDROELECTRIC POWER STATIONS

Analysis of significant variances in revenues from energy sales and EBITDA

(in millions of $)	THREE-MONTH PERIOD REVENUES FROM ENERGY SALES	THREE-MONTH PERIOD EBITDA	SIX-MONTH PERIOD REVENUES FROM ENERGY SALES	SIX-MONTH PERIOD EBITDA
AS AT JUNE 30, 2007	**2.9**	**2.2**	**5.9**	**4.3**
Price	0.6	0.6	0.9	0.9
Volume	–	–	0.8	0.8
Translation of self-sustaining operations	(0.2)	(0.2)	(0.6)	(0.5)
Other	(0.1)	(0.2)	–	(0.1)
AS AT JUNE 30, 2008	**3.2**	**2.4**	**7.0**	**5.4**

AVERAGE OF HISTORICAL HYDROELECTRIC GENERATION (MWH)*	
Three-month periods ended June 30	34,721
Six-month periods ended June 30	67,919
Annual average	114,394

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

The hydroelectric power stations generated $3.2 million in revenues in the second quarter of 2008, up $0.3 million or 10.3%, from $2.9 million for the same period in 2007. The Canadian dollar's appreciation against its U.S. counterpart had a $0.2 million adverse effect on revenues in this segment, without which growth in revenues would have been 17.2%. This increase was mainly due to the spike in electricity prices on the New York State open market since the beginning of the current fiscal year. The segment's output of 32,322 MWh for the second quarter of 2008 was relatively unchanged from the same period in 2007.

Selling price increases added $0.6 million to EBITDA for the second quarter of 2008, which was partially offset however by the adverse impact of the exchange rate and a number of rising costs. In light of the foregoing, EBITDA for the hydroelectric segment grew by $0.2 million or 9.1% to $2.4 million for the second quarter of 2008 compared with the corresponding quarter of 2007.

For the first six months of 2008, segment revenues were up $1.1 million or 18.6% (28.8% excluding the exchange rate fluctuations) resulting in part in a rise in the average selling price, which translated into $0.9 million in additional revenues, and to a 14.4% increase in output driven by more favourable water conditions in the first quarter of 2008 than in the corresponding quarter of the previous year. While segment output trailed historical averages by 2.6% for the six-month period ended June 30, 2007, it outpaced historical averages by 11.5% for the same period in 2008. Power stations generated 75,702 MWh compared with 66,170 MWh for the corresponding period of 2007, giving rise to $0.8 million in additional revenues.

In light of these factors, the hydroelectric segment increased its cumulative EBITDA by $1.1 million or 25.6% to $5.4 million. Excluding the adverse foreign exchange effect, EBITDA would have been up $1.6 million or 37.2% compared with the corresponding period of 2007.

On June 11, 2008, Boralex announced that it had entered into a purchase agreement to acquire a 14.5 MW power station in British Columbia. Management hopes to close this deal in the coming months once it receives the usual approvals for this type of transaction. (For further details, please see *Outlook* in this interim MD&A.)

WOOD-RESIDUE THERMAL POWER STATIONS

Analysis of significant variances in revenues from energy sales and EBITDA

(in millions of $)	THREE-MONTH PERIOD REVENUES FROM ENERGY SALES	THREE-MONTH PERIOD EBITDA	SIX-MONTH PERIOD REVENUES FROM ENERGY SALES	SIX-MONTH PERIOD EBITDA
AS AT JUNE 30, 2007	**22.8**	**2.7**	**56.2**	**14.9**
Operational shutdown (Stacyville)	–	–	(1.7)	(0.2)
Price	2.6	2.6	3.3	3.3
Volume	0.2	(0.1)	0.8	–
RECs	3.5	2.2	9.5	6.5
Translation of self-sustaining operations	(1.6)	0.1	(6.4)	(1.7)
Costs of raw material	–	(0.4)	–	(4.1)
Maintenance	–	(0.8)	–	(0.8)
Other	0.3	0.5	0.4	–
AS AT JUNE 30, 2008	**27.8**	**6.8**	**62.1**	**17.9**

During the second quarter of 2008, the wood-residue power stations recorded revenues totalling $27.8 million, up $5.0 million or 21.9% from $22.8 million for the same quarter of 2007. The Canadian dollar's appreciation against the U.S. currency had an adverse impact of $1.6 million on segment revenues, without which they would have been up close to 28.9%. This growth arose mainly from the following factors:

- A $3.5 million rise in revenues from REC sales to US$7.8 million for the second quarter of 2008, from US$4.3 million for the same period in 2007 owing to the qualification of the Livermore Falls and Ashland power station for the Connecticut REC program over the past year. REC sales at the Stratton power station, which is a qualified Connecticut program, and at the Chateauguay power station, which trades in the New York market, were relatively unchanged from their second-quarter 2007 levels;
- A 36.5% increase (in U.S. dollar terms) in the average electricity price on the Northeastern U.S. open market for the second quarter of 2008 compared with the average price fetched in the same period of 2007, which resulted in $2.6 million in additional revenues. Open-market electricity selling prices held steady for the second quarter of 2008 in this region compared with the same quarter in 2007. While electricity prices have dropped recently, they continue to track above historical levels recorded in previous years. Management expects electricity selling prices to remain strong in the coming quarters in light of strong oil and natural gas prices and the significant correlation that exists between the pricing of fossil fuels and electricity selling prices in North American markets; and
- Additional revenues totalling $0.2 million arose from power stations reporting higher selling prices. Aggregate output at wood-residue power stations, amounting to 255,226 MWh for the quarter, was in line with the segment's second-quarter results in 2007.

The wood-residue segment's quarterly EBITDA surged $4.1 million or 151.9% to $6.8 million for the second quarter of 2008 from $2.7 million for the comparable period in 2007 due to the following key favourable factors:

- The increase in average electricity selling prices, which directly contributed an additional $2.6 million in EBITDA; and
- Higher REC sales, which added $2.2 million to EBITDA. The $1.3 million difference between the revenues and EBITDA generated by the RECs stemmed mainly from the transmission expenses incurred by the Ashland, Maine power station to transport its electricity into the NEPOOL grid. Although it generated costs that the Stratton and Livermore Falls power stations do not have to support to sell their RECs, this operation still yields attractive earnings for Boralex. In a late development for the quarter, Boralex decided on June 27, 2008 to bring its Stacyville, Maine power station back online, which will serve, among other things, to cut power transmission costs at the Ashland power station and help it capitalize on high electricity prices in the U.S.

Conversely, the key adverse items affecting the wood-residue segment's EBITDA in the second quarter were as follows:

- A $0.8 million increase in maintenance expenses owing to the extra repair work needed during a major second-quarter maintenance initiative at the Livermore Falls and Ashland power stations; and
- A $0.4 million increase in raw material costs, arising primarily from higher transportation costs due to rising prices for oil and oil derivatives. Over the pas few months, excluding fuel surcharges, wood-residue prices held relatively steady from their December 2007 levels. As well, the wood-residue segment improved the average combustion rate of its power stations in the second quarter of 2008 compared with the corresponding period in 2007, which limited the rise in raw material costs. Boralex continuously strives to achieve the optimal wood-residue composition to meet its quality, productivity and cost criteria. However, management believes the cost of wood residues could continue to face upward pressure in the short and medium terms owing mainly to high transportation costs.

For the first half of 2008, cumulative revenues at wood-residue power stations rose $5.9 million or 10.5% to $62.1 million from $56.2 million for the first half of 2007. Excluding the $6.4 million adverse effect of the Canadian dollar's appreciation against its U.S. counterpart on segment revenues, the wood-residue power stations would have posted $12.3 million or 21.9% in growth, stemming from the following:

- A US$9.4 million increase from REC sales, totalling US$18.4 million for the six-month period compared with US$9.0 million for the same period in 2007, arising primarily from the Livermore Falls and Ashland power stations' qualification for the Connecticut REC program over the past year. Sales of RECs at the Stratton and Chateauguay power stations held relatively steady from the level recorded in the first half of 2007. The increase in REC sales in the first half of 2008 is even more impressive given that the sales in the first quarter of 2007 included US$2.4 million in RECs produced in 2006 that Boralex did not sell by the end of fiscal 2006, as it expected the market to rebound in fiscal 2007, which was exactly what happened. REC sales in the first quarter of 2008 included nearly US$0.6 million in RECs produced in 2007;
- An additional $3.3 million contribution to revenues owing to a 19.5% rise (in U.S. dollar terms) in the average selling price on the open market in the Northeastern U.S. during the first half of 2008 compared with the same period of 2007; and
- An additional $0.8 million in revenues arising from a 1.2% increase in output at wood-residue power stations excluding the Corporation's Stacyville facility. Aside from continued favourable market conditions, this performance is due in part to larger raw materials inventories created during the preceding quarters by the expansion of supply agreements and the addition of storage areas in the power stations. The higher availability of raw materials, enabling the power stations to step up output in the first half of 2008 compared with the same period in 2007 and benefit from higher electricity prices. Finally, the strengthening of the preventive maintenance practices in the segment led to a reduction in machine downtime due to unexpected breakdowns and regular maintenance.

However, the wood-residue segment reported a $1.7 million revenue shortfall due to the Stacyville power station being inoperative for substantially all of the six-month period, whereas it was in production for two of the first six months of 2007. The wood-residue segment generated an aggregate output of 583,134 MWh for the first half of 2008 compared with 596,883 MWh for the first half of the previous year.

The segment's cumulative EBITDA grew $3.0 million or 20.1% to $17.9 million for the first half of 2008 from $14.9 million for same period in 2007. The strength of the Canadian dollar relative to its U.S. counterpart had a $1.7 million adverse effect on segment EBITDA, without which it would have grown 30.9%. The main factors that contributed positively to EBITDA are as follows:

- The $6.5 million favourable impact on EBITDA of higher REC sales, net of electricity transmission costs mainly incurred at the Corporation's Ashland power station; and
- An additional $3.3 million contribution stemming from higher average electricity selling prices.

Conversely, apart from adverse foreign currency fluctuations, the key adverse factors affecting the segment's cumulative EBITDA for the first six months of 2008 were as follows:

- A $4.1 million increase in raw material costs, dampening the segment's 2008 first-quarter results in particular, owing in part to a temporary increase in the average combustion rate at the Corporation's wood-residue power stations resulting primarily from the humidity caused by this past winter's particularly hard conditions. Other factors that translated into higher raw material costs included increased transportation costs resulting from rising oil prices and the use of higher quality forest residues stemming partly from the Corporation's strategy to step up output at its wood-residue power stations;
- A $0.8 million increase in maintenance expenses owing to the extra repair work needed during a major second-quarter maintenance initiative in 2008 at the Livermore Falls and Ashland power stations; and
- A total of $0.2 million in additional expenses to keep the Stacyville power station in proper working order.

As at June 30, 2008, Boralex held US$45 million in firm sales commitments for REC deliveries ranging from July 1, 2008 to December 31, 2012 in the Connecticut market. While REC prices have recently declined on small volume transactions, Boralex expects this situation to be temporary and the REC market outlook to remain positive over the medium and long term, particularly as Connecticut has not only extended the REC program to 2020, but announced that the minimum green energy imposed on distributors will reach 20% by 2020 (compared with 1.5% when the program was launched in 2005 and 7% in 2010). Furthermore, Boralex has already secured the selling prices of its RECs for the majority of its 2009 output through forward contracts.

NATURAL GAS THERMAL POWER STATION

Analysis of significant variances in revenues from energy sales and EBITDA

(in millions of $)	THREE-MONTH PERIOD REVENUES FROM ENERGY SALES	THREE-MONTH PERIOD EBITDA	SIX-MONTH PERIOD REVENUES FROM ENERGY SALES	SIX-MONTH PERIOD EBITDA
AS AT JUNE 30, 2007	**1.7**	**(0.3)**	**7.8**	**1.8**
Price	0.7	0.7	1.6	1.6
Volume	–	–	(0.2)	(0.1)
CO_2 Quotas	–	–	–	(0.3)
Translation of self-sustaining operations	0.2	–	0.1	–
Natural gas cost	–	(0.7)	–	(2.1)
Other	0.1	0.1	0.1	0.2
AS AT JUNE 30, 2008	**2.7**	**(0.2)**	**9.4**	**1.1**

For the three months ended June 30, 2008, revenues from energy sales by the natural gas thermal power station in France totalled to $2.7 million, up $1.0 million or 58.8%, over revenues of $1.7 million for the same period in 2007. This growth resulted mainly from the increase in the selling price of steam, indexed to the price of natural gas in France, which generated additional revenues of $0.7 million. Segment revenues also benefited from the favourable impact of $0.2 million attributable to the rise in the euro.

The power station reported negative EBITDA of $0.2 million for the second quarter of 2008, compared with negative EBITDA of $0.3 million for the same period of 2007, as the benefit created by higher selling prices was offset by an increase of $0.7 million in its natural gas supply cost. As the cost of natural gas continues to rise and management expects it to remain high in the coming months, cogeneration equipment will remain idle until October 2008. During this time, the industrial client continues to be supplied with steam using an auxiliary boiler.

For the first six months of fiscal 2008, cumulative revenues from energy sales by the natural gas thermal power station amounted to $9.4 million, up $1.6 million or 20.5%, over revenues of $7.8 million for the same period in 2007. This rise stemmed mainly from the increases in the selling prices of electricity and steam, which generated additional revenues of $1.6 million and, to a lesser degree, from the rise of the euro against the Canadian dollar. These factors offset the $0.2 million adverse effect attributable to a slight decline in the power station's output.

Cumulative EBITDA was down $0.7 million or 38.9%, to $1.1 million, due primarily to the sharp increase in the cost of natural gas, which had an adverse impact of $2.1 million on the profitability of the power station. In addition, a slight decline in output had a negative impact of $0.1 million and the power station did not record any sales of excess CO_2 emission quotas in the first six months of 2008, compared with sales totalling $0.3 million in the first six months of 2007. These unfavourable factors were offset in part by higher selling prices which had a positive impact of $1.6 million.

ANALYSIS OF SIGNIFICANT CASH FLOWS FOR THE THREE- AND SIX-MONTH PERIODS ENDED JUNE 30, 2008

OPERATING ACTIVITIES

During the second quarter of 2008, cash flows from operations rose by 40.3% to $9.4 million, compared with $6.7 million for the same quarter in 2007. This improvement stemmed mainly from the increase in the Corporation's EBITDA. Lower interest on the rotating credit facility also contributed positively to improved cash flows from operations. Among the factors that reduced cash flows from operations, notably higher current income taxes, resulting from improved profitability and a reduction in distributions received from the Fund since April 2008. For the second quarter of 2008 changes in non-cash working capital items generated additional funds of $9.1 million ($3.4 million for the same period of 2007), due mainly to strong REC sales in the first quarter, and received in the second quarter under the rules governing this market. Consequently, operating activities for the first quarter of 2008 generated cash flows of $18.5 million, compared with $10.1 million for the same quarter in 2007.

For the first half of fiscal 2008, due to the improved profitability of the power stations, cash flows from operations rose 12.7% to $30.2 million, compared to $26.8 million in the first half of fiscal 2007. Changes in non-cash working capital items generated $3.9 million in funds in the first six months (compared with $3.8 million in funds required in the same period of 2007). Operating activities thus generated cash flows totalling $34.1 million in the first six months of 2008, up from $23.0 million in the first half of 2007.

INVESTING ACTIVITIES

Boralex made investments of $12.0 million in the second quarter of 2008 (compared with $7.6 million for the same period last year) allocated as follows:

- $9.2 million in additions to property, plant and equipment, primarily related to expansion in the wind power segment;
- $1.5 million allocated to various development projects (compared with $0.2 million in the second quarter of 2007), mainly the Seigneurie de Beaupré development project in Québec and the two wind power projects in Ontario, together with activities to expand the hydroelectric segment in British Columbia; and
- A $1.2 million investment consisting primarily of the net amount of lease agreements for crushing equipment with wood-residue suppliers to ensure supplies for the segment.

Boralex's investments in the first six months of fiscal 2008 totalled $31.0 million (compared with $9.2 million for the same period last year), including:

- $15.7 million allocated to the Corporation's various development projects (compared with $0.3 million in the first half of fiscal 2007);
- $6.8 million in additions to property, plant and equipment;
- $1.7 million under lease agreements with wood-residue suppliers; and
- $6.8 million for wood-residue power station maintenance, the major part of which was used to renovate the Ashland power station generator and the Livermore Falls power station precipitator and boiler.

FINANCING ACTIVITIES

During the second quarter of 2008, the Corporation repaid $1.2 million of its long-term debt and received $0.2 million on the issue of Class A shares as its officers and directors exercised stock options. Financing activities for the same period in 2007 reflect mainly the $105.2 million share issue and refinancing of the long-term debt. As a result, financing activities for the quarter required a net amount of $1.1 million, compared with cash inflow of $58.8 million for the same period last year.

Since the start of fiscal 2008, Boralex repaid $10.2 million of its long-term debt and received $1.7 million on the issue of Class A shares as stock options were exercised. Note that first quarter long-term debt repayments include an amount of €2.6 million ($4.0 million) which had been advanced temporarily to cover refundable sales taxes (VAT credit) for its La Citadelle project in France. As a result, financing activities required a net amount of $8.6 million in the first half of fiscal 2008, compared with a cash inflow of $58.8 million in 2007.

To summarize, also factoring in the favourable effect of $4.3 million attributable to translation adjustment, total cash flows for the six-month period ended June 30, 2008 decreased cash and cash equivalents by $1.3 million from $79.2 million as at December 31, 2007 to $77.9 million as at June 30, 2008, due primarily to investments allocated to the expansion of Boralex and to debt repayment.

FINANCIAL POSITION AS AT JUNE 30, 2008

GENERAL COMMENTS

Aside from net earnings and investments for the period, the balance sheet of Boralex as at June 30, 2008 compared with December 31, 2007 reflects the significant impact of the strengthening of the euro and the U.S. dollar against the Canadian dollar since the beginning of fiscal 2008. This also played a key role in increasing the value of property, plant and equipment and other assets, as well as on long-term debt.

ASSETS

As at June 30, 2008, Boralex's total assets amounted to $558.4 million, compared to $514.7 million as at December 31, 2007. This $43.7 million increase is primarily due to the rise in long-lived assets, and more specifically, to:

- The increase of $23.7 million in the value of property, plant and equipment which reached $282.4 million due to the rise of the euro and the U.S. dollar, the commissioning of the new wind turbines at the Avignonet-Lauragais site and other additions to property, plant and equipment during the period, net of amortization; and
- The amounts invested in development projects, which, combined with currency fluctuations, also raised other assets by $20.9 million, to $60.1 million as at June 30, 2008.

WORKING CAPITAL

Boralex's working capital was of $75.6 million as at June 30, 2008, compared with $81.8 million as at December 31, 2007, due mainly to a $4.4 million increase in accounts payable and accrued liabilities resulting from growth in the Corporation's activities combined with the use of an amount of $1.3 million in cash and cash equivalents in the normal course of business, together with a slight drop in inventories.

LIABILITIES AND SHAREHOLDERS' EQUITY

In the second quarter, given the sharp increase in electricity prices on the open market in the Northeastern U.S., the fair value of electricity price hedging derivative instruments increased liabilities by $22.6 million. While these contracts are currently in an unfavourable market position, management is of the opinion that the prices fixed in its forward contracts will allow it to generate attractive earnings from electricity sales.

As at June 30, 2008, the Corporation's total debt amounted to $184.1 million, compared to $175.5 million as at December 31, 2007. This $8.6 million increase, in spite of debt repayments of $10.2 million during the first half of 2008, is mainly due to the significant strengthening of the euro over the last few months, given that the greater part of Boralex's debt is in Europe. Net of cash and cash equivalents, total net debt was $110.9 million as at June 30, 2008, compared with $101.0 million as at December 31, 2007.

Shareholders' equity rose $9.8 million, or 3.4%, between December 31, 2007 and June 30, 2008, from $284.8 million to $294.6 million. This variance is the result of cumulative net earnings for the first six months of 2008 combined with the share issue pursuant to the exercise of stock options and to the value of stock options earned during the period, net of the increase in accumulated other comprehensive income. Consequently, the ratio of total net debt to invested capital (total net debt plus shareholders' equity) rose from 26.2% as at December 31, 2007 to 27.3% as at June 30, 2008. Given Boralex's share price, which was $14.29 as at June 30, 2008, the total net debt to enterprise value ratio was 17.0% as at that date, compared to 13.5% as at December 31, 2007, when the share price was $17.25.

As at June 30, 2008, the Corporation had an unused balance of approximately €170.8 million ($274.1 million) under the €265 million master credit agreement entered into in Europe in June 2007, giving Boralex considerable latitude to initiate new wind power projects in France by 2010. Taking into account letters of credit already issued, the Corporation has borrowing capacity of around $15.3 million under the revolving credit facility.

SIGNIFICANT SUBSEQUENT EVENT

On July 9, 2008, Boralex announced that it had acquired the rights for a wind project with a potential installed capacity of 100 MW in Ontario. This project will be submitted pursuant to the Ontario Power Authority's request for proposal for 500 MW of renewable energy supply expected in fall 2008, one of the measures taken by the Government of Ontario in view of obtaining 2,000 MW of renewable energy. This strategic acquisition allows Boralex to reinforce its presence in Canada, mainly in a region favourable to the production of renewable energy, and in a sector where its expertise is recognized. This wind power site was developed by Gengrowth, with whom Boralex has collaborated the past year on the development of other wind power sites with a total capacity of 90 MW in the same area of Southwestern Ontario.

OUTLOOK

Boralex's management believes that the Corporation will perform well in 2008 because it is likely to continue to benefit from the following main positive factors:

- Robust electricity prices on the U.S. open market. Management expects that electricity prices will remain high over coming quarters, given market trends in natural gas futures prices;
- The participation of three wood-residue power stations in the Connecticut REC market;
- The increased contribution of the wind power segment to the full operation of Boralex's La Citadelle site and the expanded capacity of the Avignonet-Lauragais site. The ongoing development of the wind power segment will be even more of a financial benefit since wind power assets are associated with long-term sales agreements and high profit margins;

- The Stacyville power station was brought back online, which will take advantage of high U.S. electricity prices while reducing the electricity transmission costs at the Ashland power station;
- The continually improving efficiency of the wood-residue power stations and the optimization of their supply and use of raw materials; and
- The reduction in financial costs stemming from the Corporation's solid financial position.

From a longer-term perspective, the Corporation is currently working on a variety of major projects, including two Seigneurie de Beaupré, Québec wind farms totalling 272 MW, of which 136 MW will be owned by Boralex, two 90 MW and 100 MW wind power projects under development in Ontario, a purchase agreement for a hydroelectric power station in British Columbia and other projects which could arise in coming months, which will significantly increase its installed capacity and revenue streams, in keeping with Boralex's objective to reach an installed capacity of 1,000 MW within the next five years.

WIND POWER

During fiscal 2008, the wind farm at La Citadelle, France will be contributing fully to the wind power segment's results, as opposed to less than five months in 2007. In addition, at the beginning of the second quarter, Boralex commissioned new equipment at the Avignonet-Lauragais wind farm to increase capacity by nearly 5 MW. In 2007, Boralex reinforced its development team in France in a bid to acquire or undertake new wind farm projects, which is why the Corporation has a $274.1 million credit facility available.

Boralex is also working to establish a significant presence in the wind power market in Canada.

On May 5, 2008, the consortium consisting in equal parts of the Corporation and Gaz Métro Limited Partnership (the Consortium) bid on Hydro Québec's request for proposals for the implementation of 2,000 MW of wind power capacity in Québec, Canada. The Consortium was selected for two of three wind farm project proposals that they had developed, working closely with the Séminaire du Québec, and filed in September 2007. The selected projects, with a combined installed capacity of 272 MW, are to be commissioned in December 2013. The two wind farms, with respective capacities of 132.6 MW and 139.3 MW, will be built on the privately owned land of the Séminaire du Québec. The Seigneurie de Beaupré site offers a number of key advantages, including exceptional wind power potential due to excellent wind conditions and its proximity to Hydro-Québec *TransÉnergie* interconnection lines. In addition, since the site is located far from any urban or residential areas, the visual, sound and environmental impacts will be all but non-existent. In addition, the necessary access roads are already in place. It is important to note that the Consortium recently learned that no request had been filed concerning the environmental aspects of the Seigneurie de Beaupré wind farms during the consultation period carried out by the *Bureau d'audiences publiques sur l'environnement* (BAPE). As a result, it will not be necessary to hold public hearings. Lastly, the Consortium is working with internationally recognized wind power system manufacturer Enercon, which will set up a high-quality wind power components plant in Québec.

In July 2007, the Corporation entered into an alliance with Gengrowth, a private developer of renewable energy projects based in Ontario, Canada, in order to acquire the rights to a portfolio of sites totalling 90 MW and thus to proceed with the construction of nine wind farms in Southeastern Ontario, each with an installed capacity of 10 MW. Each farm has a 20-year power sales agreement with the Ontario Power Authority, which will purchase their entire production under the Renewable Energy Standard Offer Program. This will enable Boralex to obtain an indexed rate of slightly over $110/MWh for its wind power production. The acquisition of each project and the start of construction work are subject to the fulfilment of certain conditions. The Corporation has completed more than a year of on-site wind studies and is in the process of obtaining its environmental and construction permits. Given this administrative process, whose delays are outside its control, Boralex expects to commission the first four sites in the portfolio, with a total of 40 MW, at the end of the second quarter of 2009. The turbines required to complete these four projects will be delivered by Enercon, with whom Boralex has also signed agreements for the purchase of turbines required for the completion of two other projects, expected for the end of 2009. The other projects should be completed during 2010.

On July 9, 2008, as described in the previous section, Boralex acquired the rights for another wind project in Ontario, with a potential installed capacity of 100 MW, which will be submitted into the Ontario Power Authority request for proposal expected in fall 2008.

Upon completion, these projects will quadruple installed wind power capacity under the Corporation's management, and double its total installed capacity. Moreover, since these projects benefit from long-term power sales contracts, their completion will mean that a major portion of Boralex's revenues, equivalent to 65% of its total installed capacity, will be secured by fixed agreements. Lastly, these projects dovetail with Boralex's geographical and segment diversification strategy.

HYDROELECTRIC POWER

After reporting significantly less favourable than historically average water flows throughout 2007, Boralex's hydroelectric facilities enjoyed better conditions over the first half of 2008, although it cannot be predicted whether this trend will be maintained. Nevertheless, Boralex's hydroelectric segment has traditionally been a reliable profit and cash flow generator.

Boralex's management anticipates growth opportunities in Canada over the next few years, particularly in British Columbia, where the provincial government has announced plans to launch calls for tenders as of 2008 to develop renewable energy infrastructures capable of producing 5,000 gigawatthours. This decision is designed to increase British Columbia's energy autonomy by 2016 and potentially meet a portion of California's green energy needs. In this context, Boralex has emerged as a solid partner on the strength of its extensive experience in developing and acquiring hydroelectric power stations and ensuring optimal operation.

For this reason, on June 11, 2008, Boralex signed a purchase agreement for the acquisition of a 14.5 MW power station in northern British Columbia, a transaction that management hopes to conclude in coming months upon obtaining regulatory approvals and consents routinely required for a transaction of this type. A portion of the output of this power station is sold to BC Hydro under a long-term energy sale contract within the Remote Community Electrification Program. Given its hydroelectric potential, the installed capacity of this power station could potentially be increased to 37 MW. At the same time, Boralex also acquired the development rights for two other hydroelectric projects in the same region, representing an additional 10 MW.

THERMAL POWER

As at June 30, 2008, the Stratton, Livermore Falls and Ashland power stations had firm commitments of US$45 million for REC deliveries between July 1, 2008 and December 31, 2012 in the Connecticut market. While REC prices have recently declined on small volume transactions, Boralex believes that this will be a temporary situation and that the REC market outlook remains positive over the medium and long term, particularly as Connecticut has not only extended the REC program to 2020, but also announced that the minimum green energy proportion imposed on distributors will reach 20% by 2020 (compared with 1.5% when the program was launched in 2005 and 7% in 2010). Furthermore, Boralex has already secured the selling prices of its RECs for close to 100% of its 2008 production and the majority of its expected 2009 production, through forward contracts. The recent rise in electricity prices in the Northeastern U.S. market softens the impact of a reduction in the value of RECs, which is why the Corporation enters into forward sales contracts when market prices exceed a threshold that ensures a viable level of profitability and greater predictability.

On June 27, 2008, Boralex brought its Stacyville wood-residue power station in Northern Maine back on line, in order, on one hand, to take advantage of high electricity prices in the New England market and, on the other, to help the Ashland power station improve the profitability of its REC production and reduce its electricity transmission costs to the NEPOOL grid.

In addition, the Corporation plans to claim U.S. renewable energy tax credits until the program's anticipated end date of December 31, 2009; these credits totalled $12.0 million for 2007 and $5.5 million as at June 30, 2008.

However, while it has stabilized over recent months, the high cost per ton of wood-residue will continue to affect this segment. Wood-residue costs have risen sharply in recent years, primarily due to increased transportation costs stemming from higher oil prices and to a change in the composition of the raw materials used by Boralex, favouring more extensive use of forest residues. In 2004 Boralex implemented and continues to implement solutions aimed at controlling these costs, including strategies aimed at stabilizing its wood-residue supply and optimizing the efficiency of its facilities. Boralex will continue its optimization efforts to improve profitability in the segment.

In France, in view of the significant increase in the cost of natural gas, the cogeneration equipment at the Blendecques power station was brought back into operation in November 2007 for the winter season, and then shut down again in April, to remain idle until October 2008. The power station's industrial client continues to be supplied with steam using an auxiliary boiler.

FUND DISTRIBUTIONS

On February 22, 2008, the Fund announced that it was reducing its distributions to $0.70 per trust unit on an annualized basis. This will reduce Boralex's annual cash flows by $2.4 million, net of income taxes.

To summarize, thanks to expansion in the wind power segment, robust electricity selling prices in the U.S. open market, the participation of the wood-residue segment in the Connecticut REC market, and continued normal climate conditions, management anticipates that revenues, earnings and cash flows from operations will grow in the coming quarters, thereby enabling Boralex to provide for its normal cash requirements. In addition, the recent share issue and the new master financing agreement in France in 2007 significantly strengthened the Corporation's financial position, allowing it to pursue its current and future expansion projects. In the short term, Boralex does not plan to pay dividends on its Class A shares, in keeping with its policy to reserve its cash assets for growth projects.

Boralex's outlook is also positive in the longer term, thanks to the quality and diversification of its assets and its expertise in green and renewable power generation, reflecting a growing worldwide trend and the importance of the projects it is currently working on, particularly in the wind power segment. In addition to promoting its expertise in generating wind, hydroelectric and thermal power, Boralex is currently examining potential development projects in new non-fuel renewable energy sectors such as solar energy. Boralex is also particularly interested in new technologies such as the processes of gasification and methanization. In general, Boralex will continue to prudently capitalize on opportunities that arise in its fields of expertise while remaining on the lookout for new technologies and paying close attention to the responsible management of its operating costs, business risks and capital structure.

CAPITAL STOCK INFORMATION

As at June 30, 2008 and August 7, 2008, Boralex's capital stock consisted of 37,836,121 Class A shares issued and outstanding, up from 37,454,625 as at December 31, 2007, following the issue of 381,496 new shares as its officers and directors exercised stock options. During the second quarter of 2008, a total of 133,266 options were granted under the stock option program. As at August 7, 2008, there were 1,007,916 stock options outstanding, of which 517,789 were exercisable.

On April 29, 2008, Boralex announced plans to make a normal course issuer bid. Under this 12-month bid opening on May 1, 2008 and closing on April 30, 2009, Boralex may buy back up to 1,889,220 Class A shares or 5% of the 37,784,405 Boralex Class A shares issued and outstanding as at April 21, 2008. All redemptions will be carried out through the Toronto Stock Exchange and the redeemed shares will be cancelled. As at August 7, 2008, Boralex had redeemed none of the shares. Copies of the notice of intention to proceed with a normal course issuer bid may be obtained free of charge from Boralex.

FINANCIAL INSTRUMENTS

MARKET RISK

As at June 30, 2008, the Corporation had entered into nine electricity swaps for total quantity of 992,064 MWh over periods varying from three to 32 months. All financial electricity swaps as at June 30, 2008 were designated as hedges of future variable cash flows related to the delivery of electricity and their unfavourable fair value amounted to $22.6 million (US$22.2 million). These contracts qualify for hedge accounting.

INTEREST RATE RISK

Boralex carries long-term debts that bear interest at variable rates. As at June 30, 2008, approximately 86% of long-term debt issued bore interest at variable rates. The revolving credit facility also bears interest at a variable rate. As at June 30, 2008, the Corporation had issued letters of credit totalling $30.4 million, although it had drawn no funds from this credit facility. If the Corporation uses this credit and interest rates rise sharply in the future, the liquid assets available for the Corporation's development projects could be affected. As discussed in Note 10 to the consolidated financial statements, since the Corporation uses interest rate swaps, its exposure to interest rate fluctuations is reduced to 16.5% of total debt. As at June 30, 2008, the notional amount of those swaps was $131.2 million (€81.8 million) and their favourable fair value stood at $7.3 million (€4.6 million).

FOREIGN EXCHANGE RISK

In the normal course of business, Boralex is not significantly exposed to currency fluctuations because its foreign operations are self-sustaining and the Corporation prefers to retain its liquid assets to develop these subsidiaries. However, the turbine supplier for the initial 40 MW phase of the Ontario wind power project is European, which means that purchases will be paid in euros, whereas site operations will generate cash flows in Canadian dollars. To protect the expected project return, the Corporation has entered into forward foreign exchange contracts enabling it to set an exchange rate of approximately 1.4180 Canadian dollar per euro purchased. These contracts were entered into to hedge the purchase of 15 turbines for delivery in 2009. As at June 30, 2008, the favourable fair value of these contracts was $2.7 million. With respect to the other 10 MW projects expected in 2009, the Corporation signed contracts for the purchase of turbines during the second quarter of 2008 with the same supplier.

The Corporation decided not to immediately hedge these purchases due to the current strength of the euro against the Canadian dollar. Exchange rate developments are assessed on a regular basis with a view to entering into forward contracts once rates fall within a pre-determined range.

RELATED PARTY TRANSACTIONS

In addition to holding 23.3% of the Fund's trust units, the Corporation, through one of its wholly owned subsidiaries, is linked to the Fund under long-term management and administration agreements. For the six months ended June 30, 2008, these management and administration agreements generated $2.7 million ($2.8 million for the six months ended June 30, 2007), while its share of the Fund's results was $5.0 million ($4.7 million in the first half of 2007). Finally, in the first half of 2008 Boralex received Fund distributions totalling $5.5 million ($6.2 million in the first half of 2007).

One of Boralex's power stations in France supplies steam to a French division of Cascades Inc., a corporation that has significant influence over Boralex since it holds 34.0% of its share capital. For the first six months of 2008, revenues from this division totalled $5.5 million ($4.3 million for the same period of 2007).

The Corporation also entered into a management agreement with an entity controlled by Bernard Lemaire, a director and officer of Boralex, and his family. For the first half of 2008, revenues from this agreement amounted to $0.2 million ($0.2 million for the same period of 2007).

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

COMMITMENTS AND CONTINGENCIES

Excepting the following items, the Corporation has not observed any major change with respect to the commitments and contingencies set out under *Risks and Uncertainties* in Management's Discussion and Analysis in the Annual Report for the fiscal year ended December 31, 2007.

In addition to a commitment for the purchase of 15 turbines already disclosed in the 2007 Annual Report, the Corporation also committed in May 2008 to purchase 15 additional 2 MW turbines from its supplier Enercon, in order to complete three other 10 MW wind power projects in Ontario during 2009. The total commitment under these agreements entered into in 2008 total approximately $63 million, or €38 million and $2.0 million.

On June 25, 2008, the Corporation signed two electricity supply contracts with Hydro-Québec for the Seigneurie de Beaupré projects. These contracts are subject to approval by the Régie de l'énergie du Québec.

NEW ACCOUNTING STANDARDS IN 2008

FINANCIAL INSTRUMENTS – DISCLOSURE AND PRESENTATION

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

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

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

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

Section 3863, *Financial instruments – Presentation*, does not change the requirements for disclosures on financial instruments that were included in Section 3861, *Financial instruments – Disclosure and Presentation.*

The adoption of these sections had no impact on Boralex's earnings, balance sheet or cash flows. The impact of these changes is set out in Note 10 to the consolidated interim financial statements.

CAPITAL DISCLOSURES

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

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

Adoption of this section had no impact on Boralex's earnings, balance sheets, or cash flows. The impact of these changes is disclosed in Note 11 to the consolidated interim financial statements.

INVENTORIES

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

RISK FACTORS AND UNCERTAINTIES

The Corporation has not observed any major change with respect to the risks and uncertainties to which it is subject, which are described under *Risks and Uncertainties* in Management's Discussion and Analysis contained in the Annual Report for the fiscal year ended December 31, 2007.

ADDITIONAL INFORMATION

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

Notice to shareholders

The interim financial statements as at June 30, 2008 and 2007 have not been reviewed by our auditors PricewaterhouseCoopers LLP. The financial statements are the responsibility of the management of Boralex Inc. They have been reviewed and approved by its Board of Directors, as recommended by its Audit Committee.

Consolidated Balance Sheets

(in thousands of dollars) (unaudited)	NOTE	AS AT JUNE 30, 2008	AS AT DECEMBER 31, 2007
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		**77,903**	79,195
Accounts receivable		**40,083**	39,200
Future income taxes		**1,279**	2,394
Inventories		**6,944**	8,002
Prepaid expenses		**2,699**	2,171
		128,908	130,962
Investment		**67,250**	67,321
Property, plant and equipment		**282,414**	258,712
Electricity sales contracts		**19,741**	18,527
Other assets	6	**60,088**	39,209
		558,401	514,731
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		**25,268**	20,869
Income taxes payable		**915**	1,481
Current portion of long-term debt	7	**27,142**	26,786
		53,325	49,136
Long-term debt	7	**156,942**	148,747
Future income taxes		**24,265**	23,430
Fair value of derivative financial instruments		**22,694**	1,400
Other liabilities	9	**5,804**	6,642
Non-controlling interests		**737**	607
		263,767	229,962
SHAREHOLDERS' EQUITY			
Capital stock		**223,257**	221,557
Contributed surplus		**2,489**	1,974
Retained earnings		**126,025**	115,669
Accumulated other comprehensive loss	8	**(57,137)**	(54,431)
		294,634	284,769
		558,401	514,731

See accompanying notes

Consolidated Statements of Earnings

(in thousands of dollars, except per-share amounts and number of shares) (unaudited)	NOTE	FOR THE THREE-MONTH PERIODS ENDED JUNE 30, 2008	2007	FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2008	2007
Revenue from energy sales		**40,449**	32,353	**95,468**	83,171
Renewable energy tax credits	9	**2,409**	2,644	**5,531**	6,399
Operating costs		**29,310**	26,231	**63,722**	57,329
		13,548	8,766	**37,277**	32,241
Share in earnings of the Fund		**1,790**	1,181	**5,038**	4,659
Management revenue from the Fund		**1,352**	1,375	**2,693**	2,781
Other revenue		**395**	39	**452**	1,542
		17,085	11,361	**45,460**	41,223
OTHER EXPENSES					
Management and operation of the Fund		**1,039**	1,153	**1,977**	2,313
Administration costs		**3,399**	3,160	**6,945**	6,225
		4,438	4,313	**8,922**	8,538
OPERATING EARNINGS BEFORE AMORTIZATION		**12,647**	7,048	**36,538**	32,685
Amortization		**6,015**	4,528	**11,843**	10,248
Foreign exchange loss (gain)		**56**	361	**(418)**	308
Financial instruments	10	**785**	(5,874)	**1,104**	(5,874)
Financing costs	9	**2,991**	3,704	**6,456**	8,514
		9,847	2,719	**18,985**	13,196
EARNINGS BEFORE INCOME TAXES		**2,800**	4,329	**17,553**	19,489
Income tax expense (recovery)		**1,642**	(506)	**7,080**	4,820
		1,158	4,835	**10,473**	14,669
Non-controlling interests		**(23)**	3	**(117)**	(54)
NET EARNINGS		**1,135**	4,838	**10,356**	14,615
Net earnings per Class A share (basic) (in dollars)		**0.03**	0.15	**0.27**	0.47
Net earnings per Class A share (diluted) (in dollars)		**0.03**	0.15	**0.27**	0.46
Weighted average number of Class A shares outstanding (basic)		**37,818,503**	32,526,623	**37,692,735**	31,300,863

See accompanying notes

Consolidated Statements of Retained Earnings

(in thousands of dollars) (unaudited)	FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2008	2007
Balance – beginning of period	**115,669**	97,649
Issuance costs, net of related income taxes	**–**	(3,407)
Net earnings for the period	**10,356**	14,615
Balance – end of period	**126,025**	108,857

See accompanying notes

Consolidated Statements of Comprehensive Income

	FOR THE THREE-MONTH PERIODS ENDED JUNE 30,		FOR THE SIX-MONTH PERIODS ENDED JUNE 30,	
(in thousands of dollars) (unaudited)	2008	2007	2008	2007
Net earnings for the period	**1,135**	4,838	**10,356**	14,615
Other comprehensive income (loss):				
TRANSLATION ADJUSTMENTS				
Unrealized foreign exchange gains (losses) on translation of financial statements of self-sustaining foreign operations	**(1,682)**	(13,131)	**7,409**	(14,677)
Share of cumulative translation adjustments of the Fund	**(422)**	(2,438)	**169**	(2,087)
Taxes	**74**	877	**(4)**	773
CASH FLOW HEDGES				
Change in fair value of financial instruments	**(15,874)**	4,158	**(16,337)**	2,791
Realized losses on hedging items recognized in net earnings	**1,340**	(413)	**1,219**	(1,124)
Termination of hedging relationship	**–**	(5,874)	**–**	(5,874)
Taxes	**4,651**	681	**4,838**	1,346
	(11,913)	(16,140)	**(2,706)**	(18,852)
Comprehensive income (loss) for the period	**(10,778)**	(11,302)	**7,650**	(4,237)

See accompanying notes

Consolidated Statements of Cash Flows

(in thousands of dollars) (unaudited)	NOTE	FOR THE THREE-MONTH PERIODS ENDED JUNE 30, 2008	2007	FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2008	2007
OPERATING ACTIVITIES					
Net earnings		**1,135**	4,838	**10,356**	14,615
Distributions received from the Fund		**2,409**	3,098	**5,507**	6,196
Adjustments for non-cash items					
Share in earnings of the Fund		**(1,790)**	(1,181)	**(5,038)**	(4,659)
Amortization		**6,015**	4,528	**11,843**	10,248
Amortization of financing costs		**724**	509	**1,432**	1,419
Renewable energy tax credits		**(395)**	(953)	**(1,488)**	(2,283)
Future income taxes		**530**	939	**5,966**	5,957
Financial instruments	10	**785**	(5,874)	**1,104**	(5,874)
Other		**4**	784	**483**	1,161
		9,417	6,688	**30,165**	26,780
Change in non-cash working capital balances		**9,140**	3,406	**3,926**	(3,789)
		18,557	10,094	**34,091**	22,991
INVESTING ACTIVITIES					
Purchase of property, plant and equipment		**(9,231)**	(11,693)	**(13,558)**	(12,192)
Change in debt servicing reserves		**(25)**	6,236	**(54)**	6,215
Development projects		**(1,481)**	(187)	**(15,708)**	(269)
Other		**(1,222)**	(1,909)	**(1,700)**	(2,948)
		(11,959)	(7,553)	**(31,020)**	(9,194)
FINANCING ACTIVITIES					
Increase in long-term debt		**–**	148,908	**–**	151,437
Payments on long-term debt		**(1,194)**	(193,219)	**(10,194)**	(195,559)
Financing costs		**(151)**	(1,861)	**(151)**	(1,866)
Net proceeds from share issuance		**238**	105,180	**1,704**	105,307
Other		**4**	(240)	**4**	(494)
		(1,103)	58,768	**(8,637)**	58,825
TRANSLATION ADJUSTMENT ON CASH AND CASH EQUIVALENTS		**1,913**	(1,932)	**4,274**	(2,028)
NET CHANGE IN CASH AND CASH EQUIVALENTS		**7,408**	59,377	**(1,292)**	70,594
CASH AND CASH EQUIVALENTS – BEGINNING OF PERIOD		**70,495**	25,116	**79,195**	13,899
CASH AND CASH EQUIVALENTS – END OF PERIOD		**77,903**	84,493	**77,903**	84,493
SUPPLEMENTAL INFORMATION					
CASH AND CASH EQUIVALENTS PAID FOR:					
Interest		**2,418**	2,694	**4,860**	6,003
Income taxes		**645**	385	**948**	1,026

See accompanying notes

Notes to Interim Consolidated Financial Statements

as at June 30, 2008
(tabular amounts in thousands of dollars, unless otherwise specified)
(unaudited)

Note 1.
Accounting policies

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

The unaudited interim consolidated financial statements have been prepared in accordance with the same accounting policies as those used in the latest audited consolidated financial statements, except for the new policies described in Note 2. The unaudited interim consolidated financial statements and accompanying notes should be read in conjunction with the audited consolidated financial statements of Boralex Inc. ("Boralex" or the "Corporation") for the year ended December 31, 2007.

Note 2.
Changes in accounting policies and new accounting policies adopted in 2008

FINANCIAL INSTRUMENTS – DISCLOSURE AND PRESENTATION

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

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

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

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

Section 3863, *Financial instruments – Presentation*, does not change the disclosure requirements for financial instruments that were included in Section 3861, *Financial instruments – Disclosure and Presentation*.

The adoption of these sections had no impact on the Corporation's earnings, balance sheet and cash flows. The impact of these changes is set out in Note 10 to these consolidated interim financial statements.

CAPITAL DISCLOSURES

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

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

The adoption of this section had no impact on the Corporation's earnings, balance sheet and cash flows. The impact of these changes is disclosed in Note 11, *Capital management*.

Note 2. Changes in accounting policies and new accounting policies (continued)

INVENTORIES

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

Note 3. Use of estimates and measurement uncertainty

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

The key estimates used by the Corporation relate mainly to the assumptions used in the impairment tests of long-lived assets and the recoverability of renewable energy tax credits. These key assumptions pertain in particular to the future price of electricity and related income, the price of other energy sources, particularly those of oil and natural gas, future costs of wood-residue procurement, and finally, the remaining useful life of the energy producing assets, considering planned maintenance over such period.

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

With regard to wood-residue costs, this raw material is not part of an organized market. Purchases are made based on specific agreements negotiated with each supplier. As most agreements are renewable annually, prices are subject to change. The assumption for wood-residue costs used in our models is based on the following year's contractual prices, adjusted using the forecasted CPI for the subsequent years.

Finally, the remaining useful life of the assets varies according to amounts spent on maintenance. When the power stations are sufficiently well maintained, their useful lives can be very long, limited only by technological advancements that could render their generation method less competitive. Accordingly, the forecasts have factored in sufficient maintenance expenses to ensure that the power stations' estimated useful lives will be at least equal to the forecast horizon of 15 years.

With regard to its investment in the Fund, the Corporation plans to maintain its ownership interest over the long term and thus expects to continue receiving distributions, either through its taxable earnings or through dividends. As a result, the future income tax liabilities related to the investment have been calculated using the taxation rate applicable to business income, which is higher than the rate applicable to capital gains that would apply if Boralex were to dispose of its investment. These estimates could have a significant impact on the Corporation's operating results and future financial position.

Note 4. Share information

As at June 30, 2008 and August 7, 2008, issued and outstanding capital stock consisted of 37,836,121 Class A shares (37,454,625 as at December 31, 2007). During the six-month period ended June 30, 2008, 381,496 stock options were exercised and 133,266 options were granted.

As at June 30, 2008 and August 7, 2008, there were 1,007,916 stock options, of which 517,789 were exercisable.

Note 5. Stock option plan

The Corporation applies the fair value method of accounting for options granted to executives and managers. The Corporation recorded $515,000 in administrative expenses in respect of options granted for the six-month period ended June 30, 2008 ($402,000 for the six-month period ended June 30, 2007).

(Tabular amounts in thousands of dollars, unless otherwise specified)

Note 5. Stock option plan **(continued)**

The following assumptions were used to determine the fair value, at the date of grant, of the options issued to executives and managers in 2007 and 2008:

	2008	2007
Risk-free interest rate	4.18%	4.16%
Expected dividend yield	0%	0%
Expected life of options	7 years	7 years
Expected volatility	56%	37%

Note 6. Other assets

	NOTE	JUNE 30, 2008	DECEMBRER 31, 2007
Renewable energy tax credits	(a)	**17,669**	17,573
Restricted funds and other funds held in trust	(b)	**1,727**	1,519
Net investment in direct financing leases	(c)	**8,003**	6,669
Fair value of derivative financial instruments		**10,075**	6,863
Deferred costs		**570**	519
Investments		**159**	78
Development projects	(d)	**21,885**	5,988
		60,088	39,209

Amortization of deferred costs amounted to $35,000 for the six-month period ended June 30, 2008 ($21,000 for the six-month period ended June 30, 2007). The other items are not subject to amortization.

(a) Renewable energy tax credits represent tax credits earned by the Corporation before it set up the monetization program (see Note 9), as well as tax credits attributable to subsequently acquired power stations. Tax credits earned will be applied by the Corporation against future income taxes payable. Financial projections indicate that the amount recorded may be realized in the next three to five years.

(b) As at June 30, 2008, reserves for long-term debt servicing guaranteed financings in France and Canada. In France, reserves amounted to $1,538,000 or €959,000 ($1,382,000 or €958,000 as at December 31, 2007) whereas in Canada they totalled $189,000 ($137,000 as at December 31, 2007). These reserves represent from three to six months of debt servicing.

(c) Direct financing leases are entered into with U.S. and Canadian suppliers. As at June 30, 2008, foreign currency receivables totalled US$4,878,000 ($4,969,000) (US$5,147,000 and $5,086,000 as at December 31, 2007) and $3,034,000 ($1,583,000 as at December 31, 2007).

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

Note 7. Long-term debt

	NOTE	MATURITY	RATE (1)	JUNE 30, 2008	DECEMBER 31, 2007
Bridge financing credit facility	(a)	2008	4.71%	**10,908**	9,811
Master agreement – wind power projects	(b)	2017-2022	4.99%	**143,237**	135,839
Term loan – Nibas wind farm	(c)	2016	5.00%	**12,364**	11,657
Term loan – Stratton power station	(d)	2010	5.63%	**3,154**	3,455
Capital leases	(e)	2012-2015	5.71%	**15,291**	14,943
Other debt				**3,852**	4,450
				188,806	180,155
Less:					
Current portion of long-term debt				**(27,142)**	(26,786)
Financing costs				**(4,722)**	(4,622)
				156,942	148,747

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

Note 7. Long-term debt (continued)

(a) The €6,800,000 bridge financing credit facility (€6,800,000 as at December 31, 2007) bears interest at a variable rate based on EURIBOR rates plus a margin. To secure this credit facility, Boralex issued a $10,908,000 letter of credit as at June 30, 2008 ($9,811,000 as at December 31, 2007) drawn down from its revolving credit facility. The term credit facility currently matures on December 31, 2008, but the Corporation expects it to be renewed.

(b) This master agreement includes a maximum senior credit facility of €250,000,000 and a maximum junior credit facility of €15,000,000. The amounts can be drawn down until December 31, 2010 subject to certain suspensive conditions. As of June 30, 2008, €94,150,000 (€94,150,000 as at December 31, 2007) had been drawn down, and the Corporation had an unused balance of approximately€170,800,000 ($274,000,000).

To cover potential temporary working capital requirements for debt servicing, the lenders also granted two lines credit for $8,072,000 (€5,032,000) and $902,000 (€562,000), respectively. As at June 30, 2008, these lines of credit were undrawn.

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

(c) This loan payable bears interest at a fixed rate and repayments are semi-annual. As at June 30, 2008, the balance was €7,708,000 (€8,079,000 as at December 31, 2007). All Nibas wind farm assets were pledged as collateral for this loan.

(d) This loan payable bears interest at a variable rate based on U.S. prime rates or money market rates, plus a margin, and has quarterly repayments. As at June 30, 2008, the balance was US$3,096,000 (US$3,496,000 as at December 31, 2007). All Stratton power station assets were pledged as collateral for this loan.

(e) The financing leases consist of capital leases on assets located in France. The balance of the leases was €9,533,000 as at June 30, 2008 (€10,357,000 as at December 31, 2007). They bear interest at fixed and variable rates and provide for repayment in quarterly instalments. The net carrying amount of the related assets was €13,666,000 ($21,921,000) as at June 30, 2008 (€14,403,000 or $20,780,000 as at December 31, 2007).

In addition, Boralex has a revolving credit facility with an authorized maximum amount of $85,000,000, bearing interest at a variable rate based on Canada's prime rates or money market rates, plus a margin. This credit facility is secured by Boralex's investment in the Fund, based on the following formula: drawdowns must not exceed 60% of the market value of the investment. If the market value of the investment were to drop below this limit, the creditors would be entitled to demand repayment of a portion of the amounts drawn down to re-establish the coverage ratio. As at June 30, 2008, no amount had been drawn down except for the issuance of letters of credit totalling $30,404,000 (including the letter of credit discussed in (a)). Lastly, the market value of a unit was $5.55 as at June 30, 2008 and the repayment threshold was $3.69 (including all outstanding letters of credit issued against the operating credit facility). Toward the end of 2007, the revolving period was extended to January 27, 2011.

Amortization of financing costs amounted to $527,000 for the six-month period ended June 30, 2008 ($340,000 for the six-month period ended June 30, 2007).

FINANCIAL RATIOS AND GUARANTEES

The debt agreements include certain restrictions governing the use of cash resources of the Corporation's subsidiaries. Certain financial ratios, such as debt service ratios, must also be met on a quarterly, semi-annual or annual basis.

The senior and junior credit facilities and certain other debts or interest rate swaps include requirements to establish and maintain reserve accounts to cover short-term debt servicing, equipment maintenance, and income taxes at various times over the term of the loan. As at June 30, 2008, $1,727,000 ($1,519,000 as at December 31, 2007) was kept in reserve accounts. These amounts have been included in *Other assets* in the Corporation's consolidated balance sheet.

In addition to assets under capital leases and the investment in the Fund pledged as collateral for the revolving credit facility, the property, plant and equipment of the Stratton power station, one Canadian power station and French power stations, with a net carrying amount totalling $179,436,000 as at June 30, 2008 ($167,790,000 as at December 31, 2007), together with the related working capital items, have been pledged as collateral.

(Tabular amounts in thousands of dollars, unless otherwise specified)

Note 7. **Long-term debt (continued)**

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

2009	27,142
2010	16,924
2011	17,652
2012	13,172
2013	12,550

Note 8.
Accumulated other comprehensive loss

	FOR THE SIX-MONTH PERIODS ENDED JUNE 30,	
	2008	2007
Balance – beginning of period	**(54,431)**	(24,482)
Other comprehensive loss for the period	**(2,706)**	(18,852)
Balance – end of period	**(57,137)**	(43,334)

Note 9.
Renewable energy tax credit monetization program

As at June 30, 2008, *Other liabilities* represented the balance of the Corporation's obligation related to the initial payment received upon implementing the monetization program, amounting to $8,551,000 (US$8,395,000) ($10,195,000 and US$10,318,000 as at December 31, 2007) less monetization program expenses of $2,747,000 (US$2,697,000) ($3,553,000 and US$3,596,000 as at December 31, 2007) for a net amount of $5,804,000 (US$5,698,000) ($6,642,000 and US$6,722,000 as at December 31, 2007).

Amortization of monetization program expenses was $905,000 for the period ended June 30, 2008 ($1,016,000 for the six-month period ended June 30, 2007).

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

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

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

RECLASSIFICATION OF MONETIZATION PROGRAM ITEMS
The main objective of the monetization transaction was to strengthen the working capital of Boralex's U.S. subsidiary to give it greater financial flexibility to pursue its day-to-day operations and investment projects. The transaction also enabled the subsidiary to benefit from the time value of money and maximize the realizable value of tax credits.

(Tabular amounts in thousands of dollars, unless otherwise specified)

Note 9. Renewable energy tax credit monetization program (continued)

Since this is actually a financing transaction, management deemed it appropriate to modify the presentation of the transaction in the fourth quarter of 2007. Amounts previously presented under *Deferred revenues* have been included in *Other liabilities*. In the statement of earnings, *Renewable energy tax credits* were presented net of the discount and financing costs, but it was deemed more appropriate to present the gross amount of renewable energy tax credits and include the discount and financing costs in *Financing costs*. Accordingly, these changes were made to the financial statements for the three-month period ended June 30, 2007. These reclassifications had no impact on the Corporation's cash flows.

Note 10.
Financial instruments

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

CLASSIFICATION OF FINANCIAL INSTRUMENTS

The classification of financial instruments as at June 30, 2008, together with their respective carrying amounts and fair values, is as follows:

JUNE 30, 2008	ASSETS HELD FOR TRADING	LOANS AND RECEIVABLES	OTHER LIABILITIES	CARRYING AMOUNT	FAIR VALUE
Cash and cash equivalents	77,903			77,903	77,903
Accounts receivable		40,083		40,083	40,083
Restricted funds and other funds held in trust		1,727		1,727	1,727
Investments		159		159	159
Accounts payable and accrued liabilities			25,268	25,268	25,268
Long-term debt			188,806	188,806	187,327
Other liabilities			5,804	5,804	5,804

The carrying amount, as well as the fair value, of the derivative financial instruments designated as cash flow hedges as at June 30, 2008 is detailed as follows:

JUNE 30, 2008	ASSETS	LIABILITIES
Financial swaps – interest rate	7,398	84
Foreign exchange options	2,677	3
Financial swaps – electricity prices	–	22,607
Total	10,075	22,694

DEFINITION OF TYPES OF FINANCIAL INSTRUMENTS

<u>Held for trading</u>

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

Note 10. Financial Instruments (continued)

Held to maturity

HTM financial assets are non-derivative financial assets with fixed or determinable payments and a fixed maturity, other than loans and receivables, that an entity has the positive intention and ability to hold to maturity. These financial assets are measured at amortized cost. As at June 30, 2008, the Corporation did not hold any HTM financial assets.

Available for sale

AFS financial assets are those non-derivative financial assets that are designated as AFS or that are not classified as loans and receivables, HTM investments or HFT financial assets. AFS financial assets are carried at fair value with unrealized gains and losses included in other comprehensive income until realized, at which time the cumulative gain or loss is transferred to the consolidated statement of earnings and presented within loss or gain on financial instruments. When losses on AFS securities are determined to be other than temporary, the carrying amount of the financial asset is written down to fair value with the change recorded in net gains or losses on investments in the consolidated statement of earnings. Securities that are classified as AFS and that do not have a readily available market value are recorded at cost. Dividends and interest income from AFS instruments are recorded in earnings. As at June 30, 2008, the Corporation did not hold any AFS financial assets.

Loans and receivables

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

Other liabilities

Accounts payable and accrued liabilities, other liabilities and long-term debt, as shown in the above table, are recorded at amortized cost using the effective interest rate method.

Derivative financial instruments

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

Estimated fair value is determined using pricing models that take into account current market prices and contractual prices for the underlying instruments, the time value of money and yield curves or future prices.

Derivatives are measured at fair value and reported as assets where they have a positive fair value and as liabilities where they have a negative fair value. The change in fair value during the year is recorded in earnings unless the instrument is part of a hedging relationship.

Embedded derivatives

Derivatives embedded in other financial instruments or contracts are separated from their host contracts and accounted for as derivatives when their economic characteristics and risks are not closely related to those of the host contract. Embedded derivatives are measured at fair value with changes in fair value recognized in earnings. As at June 30, 2008, the Corporation did not hold any embedded derivatives.

Transaction costs

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

Note 10. Financial Instruments (continued)

Determination of fair value

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable willing parties who are under no compulsion to act. The fair value of a financial instrument on initial recognition is the transaction price, which is the fair value of the consideration given or received. Subsequent to initial recognition, the fair values of financial instruments that are quoted in active markets are based on bid prices for financial assets held and offer prices for financial liabilities. When independent prices are not available, fair value is determined using valuation techniques based on observable market data. These include comparisons with similar instruments where observable market prices exist, discounted cash flow analyses, option pricing models and other valuation techniques commonly used by market participants. For certain derivatives, fair value may be determined in whole or in part from valuation techniques using non-observable market data or transaction prices. A number of factors such as bid-offer spread, credit profile and model uncertainty are taken into account, as appropriate, when values are calculated using valuation techniques.

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

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

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

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

Hedges

When the Corporation uses derivatives in hedge accounting relationships, it formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking derivatives to specific assets and liabilities in the balance sheet or to specific firm commitments or forecasted transactions. The Corporation also determines whether the derivatives used for hedging are effective in achieving offsetting changes in the fair value or cash flows of the hedged items. When hedging instruments become ineffective before their maturity or the hedging relationship is terminated, deferred gains or losses on such instruments continue to be deferred and charged to earnings in the same period as the corresponding gains or losses for the hedged items. Gains and losses realized subsequently as a result of marking to market are charged directly to earnings. If the hedged item ceases to exist due to its maturity, expiry, cancellation or exercise, deferred gains or losses are charged to earnings.

MANAGEMENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

Market risk

Foreign exchange risk

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

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

(Tabular amounts in thousands of dollars, unless otherwise specified)

Note 10. Financial Instruments (continued)

With regard to the Ontario wind power project's initial 30 MW phase, the turbine supplier is European, which means that purchases will be settled in euros, whereas the operation of these power stations will generate cash flows in Canadian dollars. To protect the expected project return, the Corporation has entered into forward contracts enabling it to set an exchange rate of C$1.42 per on its purchases. These contracts were entered into to hedge the purchase of 15 turbines.

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

The following table summarizes the Corporation's commitment to purchase foreign currencies as at June 30, 2008:

AS AT JUNE 30, 2008	FOREIGN EXCHANGE RATE	NOTIONAL AMOUNT	FAIR VALUE
Purchase contracts (€ for CA$)			
August 13, 2008	1.4185	€ 9,341,250	$1,696,971
October 10, 2008	1.4195	€ 3,736,500	$651,437
October 10, 2008	1.4195	€ 1,868,250	$325,719

On June 30, 2008, an additional $0.05 rise or fall in the Canadian dollar against the other currencies, assuming that all other variables had remained the same, the Corporation's net earnings for the six-month period ended June 30, 2008 would have decreased or increased by $497,000, whereas other comprehensive income would have increased or decreased by $6,027,000, respectively.

Price risk

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

For pricing reasons, it can be advantageous under certain conditions to use financial swaps to exchange the variable market price for a fixed price agreed upon with a counterparty. As at June 30, 2008, the Corporation had entered into nine electricity financial swaps for total deliveries of 992,064 MWh over periods from 3 to 32 months. All electricity financial swaps as at June 30, 2008 were designated as variable cash flow hedges associated with future electricity deliveries and their unfavourable fair value amounted to $22,607,000. These contracts qualify for hedge accounting.

Our power stations in France, Canada, as well as those at Middle Falls, Ashland and Fort Fairfield, have long-term electricity sales contracts immune to fluctuations in electricity prices.

On June 30, 2008, an additional 5% rise or fall in electricity prices, assuming that all other variables had remained the same, would have resulted in a $599,000 increase or decrease, respectively, in the Corporation's net earnings for the six-month period ended June 30, 2008, whereas other comprehensive income would have decreased or increased by $3,513,000, respectively.

Interest rate risk

The revolving credit facility, bridge financing credit facility, master agreement, term loan payable of the Stratton power station, together with a portion of certain financing leases, bear interest at variable rates. With a view to mitigating its interest rate exposure, the Corporation has entered into interest rate swaps to obtain a fixed interest expense on portions ranging from 58% to 89% of the corresponding variable rate debt. These agreements involve the periodic exchange of interest payments without any exchange of the principal on which such payments are calculated. Under these agreements, the Corporation receives a variable amount based on the EURIBOR rate and pays fixed amounts based on rates of 3.30% to 5.16%. Since the drawdowns are gradual and the loans are periodically repaid when sites are commissioned, the swaps have been structured to mirror the terms of the underlying credit arrangements and to always cover a significant portion of these arrangements. By using these instruments, the Corporation has reduced the proportion of its variable rate debt from 86% to 17%. As at June 30, 2008, the notional amount of those swaps was $131,254,000 (€81,824,000) and their favourable fair value amounted to $7,315,000 (€4,560,000). These swaps mature from 2010 to 2021.

On June 30, 2008, a 5% rise or fall in interest rates, assuming that all other variables had remained the same, would have resulted in a $44,000 decrease or increase, respectively, in the Corporation's net earnings for the six-month period ended June 30, 2008, whereas other comprehensive income would have increased or decreased by $3,311,000.

(Tabular amounts in thousands of dollars, unless otherwise specified)

Note 10. Financial Instruments (continued)

Credit risk

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

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

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

During the six-month period ended June 30, 2008, the Corporation had four clients accounting for over 10% of its revenues. All these clients are well-established large corporations. Management considers that such a customer concentration is characteristic within the power generation industry.

As at June 30, 2008, approximately 4% of accounts receivable were over 90 days past due after being invoiced, while approximately 92% of accounts were current (under 30 days).

Liquidity risk

Liquidity risk is the risk that the Corporation will experience difficulty meeting its obligations as they fall due.

The Corporation has a Treasury Department in charge, among other things, of ensuring sound management of available cash resources, of securing financing and meeting maturity obligations for all of the Corporation's activities. With senior management oversight, the Treasury Department manages the Corporation's cash resources based on financial forecasts and anticipated cash flows.

The contractual maturities of the Corporation's financial liabilities as at June 30, 2008 are summarized in the following table:

	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	UNDER 1 YEAR	FROM 1 TO 2 YEARS	FROM 2 TO 5 YEARS	OVER 5 YEARS
Non-derivative financial liabilities:						
Accounts payable and accrued liabilities	25,268	25,268	25,268			
Bridge financing credit facility	10 908	10 908	10,908			
Master agreement – wind power projects	143,237	143,237	10,386	10,940	30,075	91,836
Term loan payable – Nibas wind farm	12,364	12,364	1,141	1,292	4,258	5,673
Term loan payable – Stratton power station	3,154	3,154	815	815	1,524	–
Financing leases	15,291	15,291	2,634	2,675	7,025	2,957
Other debt	3,852	3,852	1,258	1,202	492	900
Other liabilities	5,804	5,804	5,804			
Derivative financial instruments:						
Financial swaps – electricity prices	22,607	22,607	5,927	7,778	8,902	
Financial swaps – interest rates	84	84				84
Foreign exchange options	3	3	3			
Total	242,572	242,572	64,144	24,702	52,276	101,450

As at June 30, 2008, the revolving credit facility with an authorized amount of $85,000,000 was undrawn, except for the issuance of letters of credit totalling $30,404,000.

Note 11.
Capital management

The Corporation's objectives when managing capital are as follows:
- Safeguard the Corporation's ability to pursue its operations and development;
- Maintain its financial flexibility the enable the Corporation to seize opportunities when they arise;
- Safeguard the Corporation's financial flexibility with a view to offsetting the seasonal nature of its operations primarily for the cyclical variations in hydroelectric and wind power generation;
- Ensure continuous access to capital markets; and
- Diversify the project risks in its portfolio through project-specific financing arrangements without recourse the parent company to maximize its financial leverage in light of the significant capital requirements for project completion in the energy sector.

The Corporation manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain its capital structure, the Corporation prioritizes the use of less costly financing sources, such as cash flows from operations, debt, equity issuance and, as a last resort, the sale of assets. The Corporation's policy is to earmark its available cash resources for growth projects; to this end, the Corporation does not expect to pay out any dividends on Class A shares in the short term. The Corporation's investment policy governing cash resources is limited to investments with maturities of less than one year that are guaranteed by financial institutions. For instance, bankers' acceptances guaranteed by a Canadian chartered bank meet these criteria. The Corporation deems its current financing sources will be sufficient to support its plans and operating activities.

The Corporation monitors its capital on a quarterly and annual basis based on various financial ratios and non-financial performance indicators. It is also required to meet certain financial ratios under its long-term financial commitments. More specifically, the Corporation must meet ratios pertaining to debt coverage, debt service and interest coverage in relation to the measures specified in the respective credit agreements. As at June 30, 2008 and December 31, 2007, the Fund was in compliance with its commitments and had significant leeway with respect to the required minimum ratios. The Corporation is not subject to any regulatory capital requirements.

The Corporation's capital management objectives have remained unchanged from the previous year. The Corporation relies mainly on the ratio of net debt/enterprise value for capital management purposes. For calculation purposes, net debt consists of long-term debt, including the current portion thereof, net of cash and cash equivalents. Enterprise value is determined by adding net debt and market capitalization, which is calculated by multiplying the number of outstanding shares by the closing price of the Corporation's stock. Cash and cash equivalents available are also a key factor in capital management, as the Corporation must retain sufficient flexibility to seize potential growth opportunities. To achieve this objective, the Corporation establishes long-term financial forecasts to determine future financing requirements in line with its strategic business development plans.

As at June 30, 2008, the Corporation's performance with respect to its capital management objectives was as follows:
- Net debt/enterprise value ratio of 17.0% (13.5% as at December 31, 2007); and
- A balance of cash and cash equivalents of $77,903,000 ($79,195,000 as at December 31, 2007).

Although it currently has a net debt/enterprise value ratio of 17.0%, the Corporation's long-term goal consists in keeping this ratio below approximately 65%. Once the Québec and Ontario wind power projects are deployed, the Corporation's ratio is expected to be close to that mark. Furthermore, the Corporation would tolerate a ratio of up to 80% were a significant project deemed worth it, but it would strive to restore the ratio to target levels within a 24-month period.

Note 12.
Seasonal factors

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

For the 13 Boralex power stations that have long-term fixed-price power sales agreements, seasonal cycles mainly affect the volume of power generated. The eight power stations that do not have long-term contracts and that sell their power on the open market in the Northeastern U.S. are more vulnerable to seasonal fluctuations which, in addition to influencing generation volumes, also have an impact on prices obtained. Generally, power consumption increases in the winter and summer, which represent Boralex's first and third quarters. This means that, for those two periods, power stations that sell on the open market usually have higher average prices.

(Tabular amounts in thousands of dollars, unless otherwise specified)

Note 12. Seasonal factors (continued)

Because the wood-residue thermal power stations can control their level of power generation, they generate more power during such high-demand periods. Given this, these power stations perform regular maintenance in the spring or fall, which impacts their operating results for those periods.

Hydroelectric generation depends on water flow, which in Québec and the Northeastern U.S. tends to be at its maximum in spring and generally good in the fall, which represents Boralex's second and fourth quarters. Historically, water flow tends to decrease in winter and summer. Note that Boralex's hydroelectric power stations do not have reservoirs with which they could regulate water flow.

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

The natural gas cogeneration station long-term power sales contract with Électricité de France (EDF) contains a clause that limits electricity prices when the station operates from April to October. When natural gas prices are high, the profit margin for this period is not sufficient to offset the ceiling on electricity prices. The cogeneration equipment may therefore be shut down, in which case the Corporation supplies its steam customer from an auxiliary boiler. Accordingly, in the past three fiscal years, the Corporation operated its cogeneration equipment only during the five winter months, which will also be the case in 2008.

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

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

Note 13.
Segmented information

The Corporation's power stations are grouped under four distinct segments: wind power, hydroelectric power, wood-residue thermal power and natural gas cogeneration power, and are engaged mainly in power generation. The classification of these segments is based on the different cost structures relating to each type of power station.

The Corporation analyzes the performance of its operating segments based on their EBITDA, which is defined as earnings before interest, taxes, depreciation and amortization. EBITDA is not a measure of performance under Canadian generally accepted accounting principles; however, management uses this measure to assess the operating performance of its segments. Earnings for each segment are presented on the same basis as those of the Corporation.

The following table reconciles EBITDA to net earnings:

	FOR THE THREE-MONTH PERIODS ENDED JUNE 30		FOR THE SIX-MONTH PERIODS ENDED JUNE 30	
	2008	2007	2008	2007
Net earnings	**1,135**	4,838	**10,356**	14,615
Non-controlling interests	**23**	(3)	**117**	54
Income tax expense (recovery)	**1,642**	(506)	**7,080**	4,820
Financing costs	**2,991**	3,704	**6,456**	8,514
Financial instruments	**785**	(5,874)	**1,104**	(5,874)
Foreign exchange loss (gain)	**56**	361	**(418)**	308
Amortization	**6,015**	4,528	**11,843**	10,248
EBITDA	**12,647**	7,048	**36,538**	32,685

(Tabular amounts in thousands of dollars, unless otherwise specified)

Note 13. Segmented information (continued)

INFORMATION BY OPERATING SEGMENT

	FOR THE THREE-MONTH PERIODS ENDED JUNE 30		FOR THE SIX-MONTH PERIODS ENDED JUNE 30	
	2008	2007	**2008**	2007
PRODUCTION (in MWh)				
Wind power stations	**47,331**	38,729	**123,153**	100,705
Hydroelectric power stations	**32,322**	32,589	**75,702**	66,170
Wood-residue thermal power stations	**255,226**	255,503	**583,134**	596,883
Natural gas thermal power station	**76**	28	**22,569**	22,202
	334,955	326,849	**804,558**	785,960
REVENUES FROM ENERGY SALES				
Wind power stations	**6,763**	4,930	**16,932**	13,215
Hydroelectric power stations	**3,200**	2,859	**6,989**	5,938
Wood-residue thermal power stations	**27,811**	22,839	**62,147**	56,199
Natural gas thermal power station	**2,675**	1,725	**9,398**	7,819
Corporate and eliminations	**–**	–	**2**	–
	40,449	32,353	**95 468**	83,171
EBITDA				
Wind power stations	**5,115**	3,863	**13,619**	10,922
Hydroelectric power stations	**2,391**	2,191	**5,425**	4,273
Wood-residue thermal power stations	**6,795**	2,741	**17,866**	14,926
Natural gas thermal power station	**(204)**	(321)	**1,117**	1,780
Corporate and eliminations	**(1,450)**	(1,426)	**(1,489)**	784
	12,647	7,048	**36,538**	32,685
ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT				
Wind power stations	**2,710**	10,331	**5,396**	10,528
Hydroelectric power stations	**2**	11	**8**	129
Wood-residue thermal power stations	**5,726**	1,281	**6,926**	1,326
Natural gas thermal power station	**16**	–	**16**	2
Corporate and eliminations	**777**	70	**1,212**	207
	9,231	11,693	**13,558**	12,192

	AS AT JUNE 30,	AS AT DECEMBER 31,
	2008	2007
ASSETS		
Wind power stations	**214,977**	196,814
Hydroelectric power stations	**17,644**	12,427
Wood-residue thermal power stations	**137,882**	130,728
Natural gas thermal power station	**15,213**	16,132
Corporate and eliminations	**172,685**	158,630
	558,401	514,731

Note 14. Comparative figures

Certain figures from the prior year's consolidated financial statements have been reclassified to conform to current period presentation.

Boralex

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