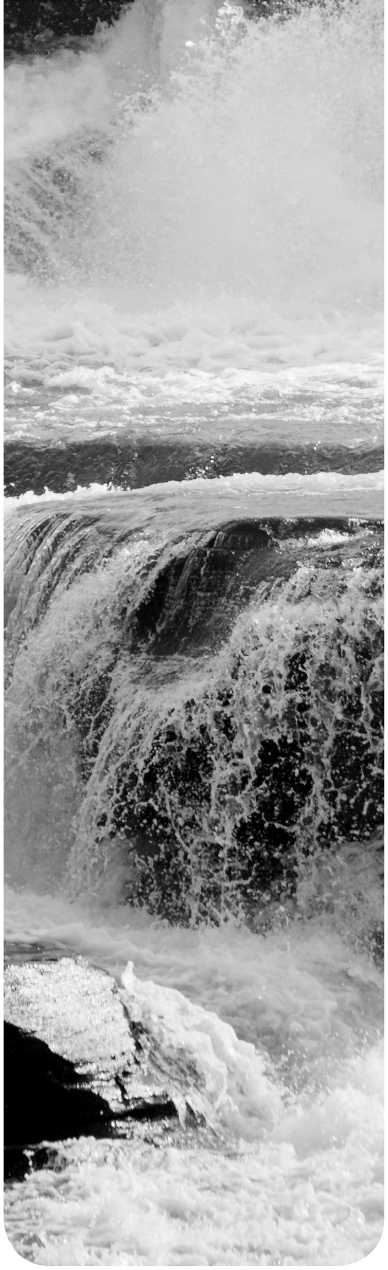
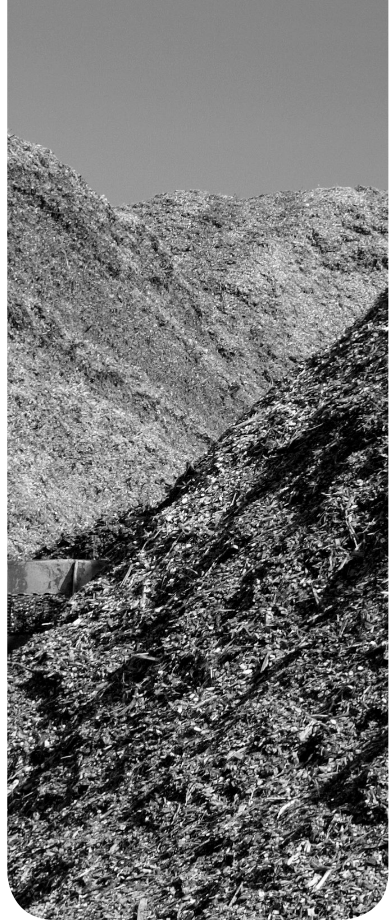
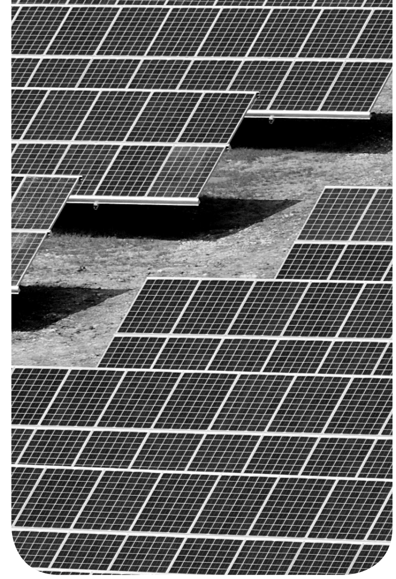





3

INTERIM REPORT
AS AT SEPTEMBER 30, 2012

BORALEX

Profile

Boralex is a power producer whose core business is dedicated to the development and the operation of renewable energy power stations. Currently, the Corporation operates an asset base with an installed capacity of more than 500 MW in Canada, the Northeastern United States and France. Boralex is also committed under power development projects, both independently and with Canadian and European partners, to add over 550 MW of power that will be put in service between 2013 and 2015. With more than 200 employees, Boralex is known for its diversified expertise and in-depth experience in four power generation types — wind, hydroelectric, thermal and solar. Boralex's shares and convertible debentures are listed on the Toronto Stock Exchange under the ticker symbols BLX and BLX.DB, respectively. More information is available at www.boralex.com or www.sedar.com.

Interim Management's Discussion and Analysis 3

As at September 30, 2012

Table of contents

Description of Business

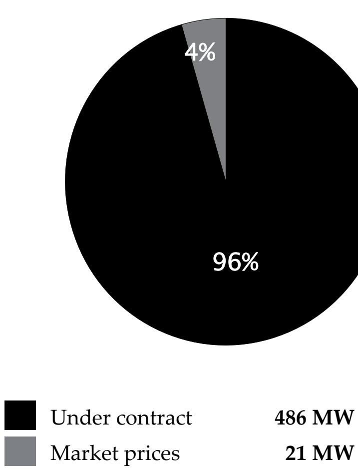
Boralex Inc. ("Boralex" or the "Corporation") is a power producer whose core business is dedicated to the development and the operation of renewable energy power stations. Currently, the Corporation operates an asset base with an installed capacity of more than 500 megawatts ("MW") in Canada, the Northeastern United States and France. Boralex is also committed under power development projects, both independently and with Canadian and European partners, to add over 550 MW of power that will be put in service from 2013 to 2015. Nearly all of the Corporation's operating assets as well as all the sites under development benefit from long-term power sales contracts with fixed and indexed prices.

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

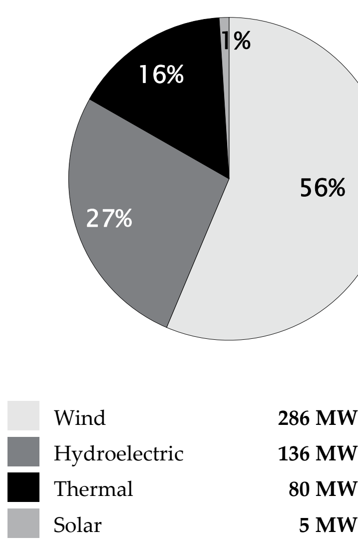
- Boralex currently operates a **286 MW wind power** portfolio in Canada and France. In recent years, Boralex has become one of the most experienced wind power producers in France, where it currently generates 196 MW of power with an additional 88 MW in total under development projects. Boralex also entered the wind power industry in Canada with 90 MW of installed capacity in Ontario. In Québec, Boralex is working independently or with partners on the development of wind farms with a total installed capacity of 441 MW, slated for commissioning by the end of 2015. These projects include the largest wind power facilities currently under construction in Canada, the Seigneurie de Beaupré Wind Farms (Phase I), with a total installed capacity of 272 MW, slated for commissioning at the end of 2013.
- Boralex has nearly two decades of expertise in **hydroelectric power** generation. The Corporation owns and operates **136 MW** of hydro assets in the United States, Québec and British Columbia, and will commission a new 22 MW power station in British Columbia before the end of 2013.
- Boralex owns three **thermal power** stations with a total installed capacity of **80 MW**, including two natural gas cogeneration power stations totalling 45 MW and a 35 MW wood-residue power station.
- Boralex diversified its energy portfolio with the addition of a **solar power** facility with an installed capacity of **5 MW** located in France.

The following charts provide information about the makeup of the Corporation's energy portfolio as at September 30, 2012.

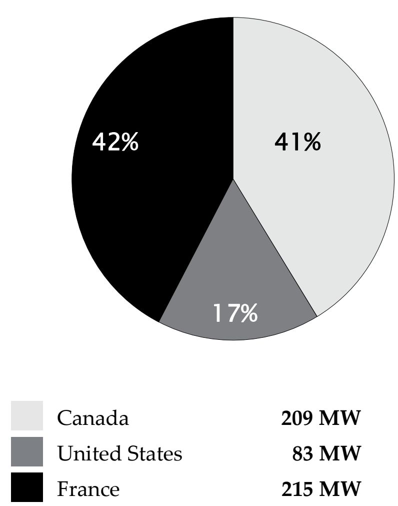
Contractual breakdown



Segment breakdown



Geographic breakdown



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

Introductory Comments to the Interim Management's Discussion and Analysis

General

This interim Management's Discussion and Analysis ("MD&A") reviews the operating results for the three- and nine-month periods ended September 30, 2012 compared with the corresponding three- and nine-month periods ended September 30, 2011 and cash flows for the nine-month period ended September 30, 2012 compared with the corresponding period of 2011, as well as the Corporation's financial position as at September 30, 2012 compared with December 31, 2011. This MD&A should be read in conjunction with the unaudited interim condensed consolidated financial statements and accompanying notes appearing in this interim report, as well as with the audited consolidated financial statements and accompanying notes appearing in the most recent Annual Report for the year ended December 31, 2011.

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

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

The information contained in this interim MD&A reflects all material events up to November 6, 2012, the date on which the Board of Directors approved the interim MD&A and the unaudited interim condensed consolidated financial statements.

Unless otherwise indicated, the financial information presented in this interim MD&A, including tabular amounts, is prepared in accordance with International Financial Reporting Standards ("IFRS") which, as of January 1, 2011, represent the Canadian generally accepted accounting principles ("GAAP") from Part I of the CICA Handbook. The unaudited interim condensed consolidated financial statements included in this interim MD&A have been prepared according to IFRS applicable to the preparation of interim financial statements, IAS 34, *Interim Financial Reporting*, and contain comparative figures for 2011.

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

All financial information presented in this interim MD&A, as well as tabular information, 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. Accordingly, some of the statements contained in this analysis, including those regarding future results and performance, are forward-looking statements based on current expectations, within the meaning of securities legislation. These statements are characterized by the use of positive or negative verbs, such as plan, anticipate, evaluate, estimate, believe and other related expressions. They are based on Boralex management's expectations, estimates and assumptions as at November 6, 2012.

Boralex would like to point out that, by their very nature, forward-looking statements involve risks and uncertainties such that its results or the measures it adopts could differ materially from those indicated by or underlying these statements, or could have an impact on the degree of realization of a particular projection. The main factors that could lead to a material difference between the Corporation's actual results and the projections or expectations set forth in the forward-looking statements include, but are not limited to, the general impact of economic conditions, raw material price increases and availability, currency fluctuations, volatility in the selling price of electricity, the Corporation's financing capacity, negative changes in general market conditions and regulations affecting the industry, as well as other factors described later in *Outlook and Risk Factors and Uncertainties* in this MD&A.

Unless otherwise specified by the Corporation, the forward-looking statements do not take into account the possible impact on its activities, transactions, non-recurring items or exceptional items announced or occurring after the statements are made.

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

Growth Strategy

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

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

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

Key Strategic Achievements in Recent Years

Major Wind Power Development

From December 2008 to date, the installed capacity of wind power assets operated by Boralex rose to 286 MW from 108 MW, with all assets covered by long-term power sales contracts. In France, Boralex's wind power assets expanded by approximately 82% to reach 196 MW while four projects totalling 88 MW currently under development are slated for commercial commissioning towards the end of fiscal 2013. In addition, Boralex made a major foray into the Canadian wind power market with the commissioning of the Thames River wind farms in Ontario, with an installed capacity of 90 MW. In Québec, the Corporation has undertaken independently or with partners to develop wind power projects totalling 441 MW, of which Boralex's total net interest amounts to 246 MW. These projects are slated for commissioning between the end of 2013 and the end of 2015. All of Boralex's wind power assets under development, in both France and Canada, have long-term power sales contracts.

Given its capacity to draw on significant financial resources, the Corporation is currently pursuing various acquisition targets consisting of wind power assets in operation and under development in Canada and France with a view to increasing its net interest in the contracted installed capacity in the wind power segment to more than 900 MW over the next five years, including operational sites and projects under development.

Acquisition of Boralex Power Income Fund (the "Fund")

In November 2010, the acquisition of all of the trust units of the Fund by Boralex added to the Corporation's energy portfolio a fully contracted installed capacity of 162 MW (excluding the Dolbeau thermal power station whose sale was closed in 2012), including nearly 100 MW in excellent hydroelectric assets.

Foray into Solar Power

After several years of strategic planning, technological assessments and market prospection in Europe, Boralex commissioned its first solar power station in Southwestern France in June 2011, with an installed capacity of 5 MW. After more than one year of operations, the new facility has met management expectations in terms of its contribution, while allowing Boralex to develop expertise in this emerging segment.

Sale of Thermal Power Stations

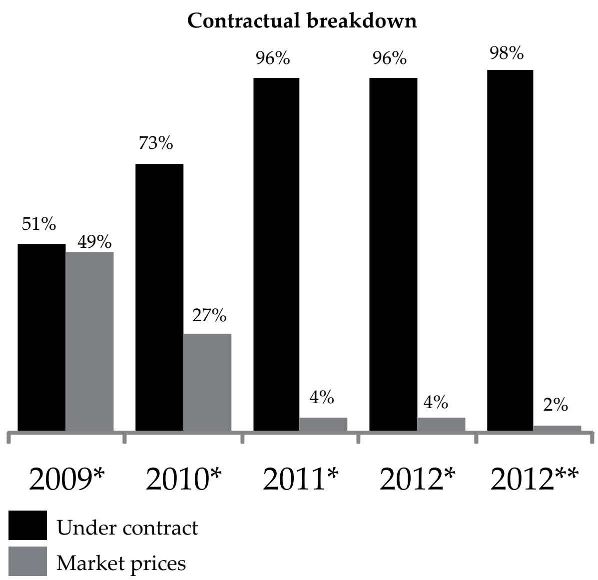
In December 2011, in accordance with its strategic positioning objectives, Boralex sold its U.S. wood-residue thermal power stations with an installed capacity totalling 186 MW, which were not covered by sales contacts and sold their electricity in the Northeastern U.S. open marketplace.

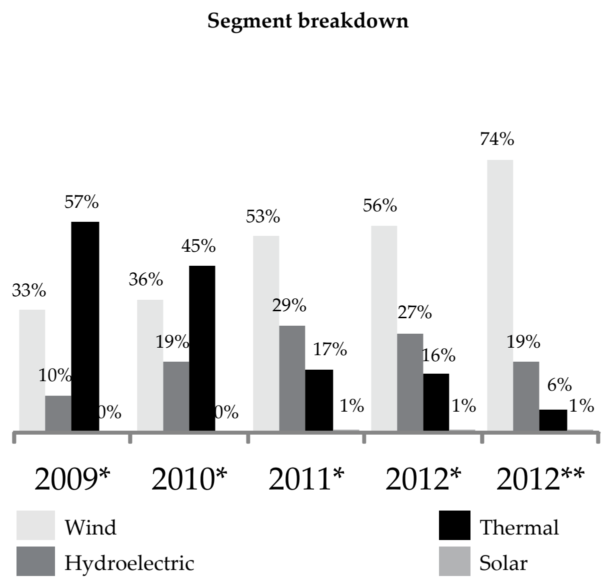
Boralex believes that it generated sound shareholder value with the sale of these assets, particularly in light of their quality and good track record. The Corporation initially received approximately US$81 million in after-tax cash, plus the opportunity to receive REC sales proceeds in excess of a set threshold through 2014. The Corporation undertook to re-inject the proceeds to expand its asset base in its target markets. Since the beginning of the current fiscal year, these proceeds were used to partly fund the acquisition of a wind power facility in operation in France and a number of wind power development projects in Québec and in France, and a hydroelectric project in British Columbia. These acquisitions are described later in this MD&A.

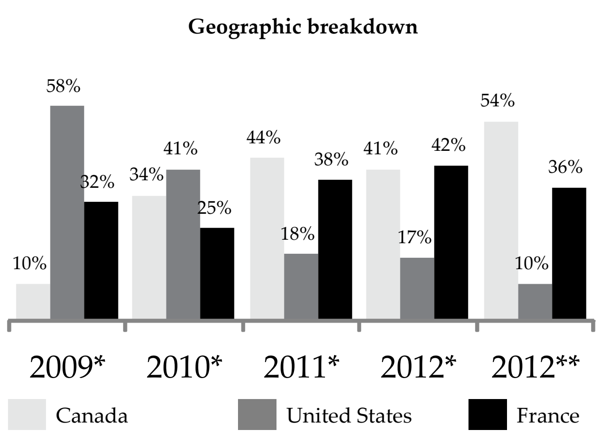
On November 30, 2012, when its power sales contract with Hydro-Québec expires, the 31 MW Kingsey Falls natural gas cogeneration power station in Québec will shut down its electricity generation operations. The Corporation is currently in negotiations with its client to reach an agreement that will enable Boralex to continue to operate the equipment used to produce steam for this client. This matter is discussed in greater detail under *Review of Operating Segments: Thermal Power Stations* later in this MD&A.

Effect of Changes in Boralex's Energy Portfolio Makeup

These charts show changes in all sites owned as at September 30, 2012 compared with the end of previous fiscal years.







* In operation.

** Pro forma, including Boralex's net interest of over 550 MW in projects under development and taking into account the upcoming shutdown of electricity production at one of its thermal power stations.

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

From a segment perspective, these developments mainly resulted in a higher relative weight of the wind, hydroelectric and solar power segments, which generate higher profit margins than Boralex's thermal power segment. Together, the three segments now account for 84% of assets in operation, and will reach 94% in 2015 after the wind power sites and the hydroelectric power station currently under development are commissioned, without reflecting expansion projects that could be carried out by the Corporation in its target markets over the coming quarters and years. Conversely, in accordance with the Corporation's decision to reduce the relative weight of its thermal power segment, this segment's share of Boralex's overall installed capacity fell from 57% in 2009 to 16% and will amount to less than 6% in 2015, given the upcoming expiry of the Kingsey Falls power station's power sales contract.

These developments of the past three years have strengthened the Corporation's geographic positioning in Canada, where 41% of Boralex's installed capacity in operation is located, compared with 10% in 2009. France and the U.S. account for 42% and 17%, respectively, of the Corporation's installed capacity in operation. Accordingly, Boralex now enjoys greater geographic balance in its revenue streams as well as reduced exposure to currency fluctuations. As indicated in the above chart, Canadian market share should reach 54% with the commissioning of projects under development, which does not reflect, however, potential expansion transactions that the Corporation could complete in both France and Canada.

Key Transactions Affecting Boralex's Results and Financial Position in 2012

Discontinued Operations

Following the sale of its U.S. wood-residue thermal power stations in December 2011, the Corporation determined that the transaction met the criteria for discontinued operations under IFRS. Note that under IFRS, discontinued operations must be presented as a separate line item in the consolidated statements of earnings and cash flows. To comply with this presentation requirement, the financial information presented in the interim report, including tabular amounts, has been restated to exclude data pertaining to discontinued operations, which are now reported separately under *Discontinued Operations*. However, to provide readers with a full snapshot of the changes in Boralex's operations, the Corporation deemed it appropriate to include discontinued operations data in the previous section's charts to illustrate changes in the Corporation's energy asset portfolio makeup in terms of installed capacity, type of power and asset location.

Furthermore, we recall that in addition to the after-tax consideration of approximately US$81 million received on the sale of Boralex's U.S. thermal power stations, the RECs generated by these facilities in 2011 remained the property of Boralex. These 2011 RECs were sold in the first half of fiscal 2012, more specifically during the quarter ended March 31, 2012 for $3.8 million and recognized under *Discontinued Operations* in the interim consolidated statement of loss. In addition, under the terms of the transaction, Boralex is entitled to receive 50% of the REC sales proceeds in excess of the defined price thresholds for 2012, 2013 and 2014. Accordingly, in the second and third quarters of fiscal 2012, Boralex recognized revenues of $0.8 million in respect of RECs generated. Boralex management believes that the Corporation could continue to receive additional revenues on sales of RECs as their current value is higher than the threshold set in the sales transaction due to excess of demand over supply. However, it is difficult to predict whether this trend will continue and to accurately measure the amounts that Boralex may receive by the end of 2014.

Closure and Sale of Dolbeau, Québec Thermal Power Station

Due to significant wood-residue supply difficulties encountered by this power station, Boralex suspended operations on April 2, 2011 and decided to shut down the facility permanently in the third quarter of fiscal 2011. This resulted in a revenue shortfall for the first quarter of fiscal 2012 compared with the same period of fiscal 2011 but EBITDA was impacted favourably in the second and third quarters of 2012 compared with the previous year. In the fourth quarter of 2011, Boralex received an offer to purchase this power station from Resolute Forest Products ("Resolute"). The sale transaction was completed on April 18, 2012 for a cash consideration of $5 million.

Contribution of New Solar Power Station in France

The contribution from this site for fiscal 2012 to date, compared with just over six months in fiscal 2011, had a favourable although non-significant effect on Boralex's results, as the site represents only 1.0% of the Corporation's total installed capacity in operation.

Acquisitions in France and Canada

As discussed in greater detail in this MD&A's section on the Corporation's different operating segments, in June 2012, Boralex carried out a series of strategic transactions in its wind power segment in France. First, on June 5, 2012, the Corporation signed an agreement for the acquisition of a 32 MW wind power project whose commercial commissioning is slated for the second half of 2013. Second, on June 28, 2012, Boralex completed the acquisition of St-Patrick wind power farm, a 34.5 MW facility already in operation, as well as three other wind power projects with a total installed capacity of 56 MW slated for commissioning by the end of the second half of 2013. All the power generated by these wind power facilities will be sold to Électricité de France ("EDF") under long-term contracts. These acquisitions will add to Boralex's wind power segment a contracted installed capacity of 123 MW, including 34.5 MW in operation and 88 MW under development. In addition, under the June 28 transaction, the Corporation entered into a five-year agreement to secure options to purchase 130 MW in additional wind power projects currently under development by the seller in France.

Also, on October 25, 2012, Boralex announced the completion of the acquisition of a 22 MW hydroelectric project in British Columbia, Canada. Commercial commissioning of the facility is slated for the end of 2013. The project is covered by a 40-year power sales contract with BC Hydro and has a 20-year renewal option.

Seasonal Factors

(in thousands of Canadian dollars, except per share amounts and number of shares outstanding)	December 31, 2011	March 31, 2012	June 30, 2012	Three-month periods ended September 30, 2012	Twelve-month period ended September 30, 2012
REVENUES FROM ENERGY SALES					
Wind power stations	22,461	20,647	16,345	12,540	71,993
Hydroelectric power stations	15,982	13,986	12,445	7,456	49,869
Thermal power stations	17,584	22,242	9,285	12,173	61,284
Solar power station	465	576	830	852	2,723
	56,492	57,451	38,905	33,021	185,869
EBITDA					
Wind power stations	18,440	16,977	13,082	9,563	58,062
Hydroelectric power stations	11,386	10,644	9,056	7,510	38,596
Thermal power stations	4,100	8,395	1,154	2,408	16,057
Solar power station	399	495	723	770	2,387
	34,325	36,511	24,015	20,251	115,102
Corporate and eliminations	(4,024)	(3,169)	(5,155)	(4,025)	(16,373)
	30,301	33,342	18,860	16,226	98,729
NET EARNINGS (LOSS) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX					
Continuing operations	3,536	4,826	(6,035)	(8,167)	(5,840)
Discontinued operations	4,651	2,323	134	566	7,674
	8,187	7,149	(5,901)	(7,601)	1,834
NET EARNINGS (LOSS) PER SHARE (BASIC) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX					
Continuing operations	$0.10	$0.13	$(0.16)	$(0.22)	$(0.15)
Discontinued operations	$0.12	$0.06	-	$0.02	$0.20
	$0.22	$0.19	$(0.16)	$(0.20)	$0.05
NET EARNINGS (LOSS) PER SHARE (DILUTED) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX					
Continuing operations	$0.10	$0.12	$(0.16)	$(0.22)	$(0.15)
Discontinued operations	$0.12	$0.06	-	$0.02	$0.20
	$0.22	$0.18	$(0.16)	$(0.20)	$0.05
CASH FLOWS FROM OPERATIONS					
In dollars	17,613	21,849	5,343	6,498	51,303
Per share (basic)	$0.47	$0.58	$0.14	$0.17	$1.36
Weighted average number of shares outstanding (basic)	37,725,898	37,726,689	37,727,077	37,730,162	37,727,460

(in thousands of Canadian dollars, except per share amounts and number of shares outstanding)	December 31, 2010	March 31, 2011	June 30, 2011	Three-month periods ended September 30, 2011	Twelve-month period ended September 30, 2011
REVENUES FROM ENERGY SALES					
Wind power stations	17,479	18,273	15,193	11,328	62,273
Hydroelectric power stations	18,060	12,732	15,990	11,615	58,397
Thermal power stations	18,194	26,261	12,762	12,368	69,585
Solar power station	-	-	124	887	1,011
	53,733	57,266	44,069	36,198	191,266
EBITDA					
Wind power stations	14,104	15,066	11,991	8,160	49,321
Hydroelectric power stations	14,401	9,076	12,648	8,513	44,638
Thermal power stations	4,019	11,532	2,078	2,928	20,557
Solar power station	-	-	121	810	931
	32,524	35,674	26,838	20,411	115,447
Corporate and eliminations	(4,460)	(4,445)	(4,300)	(3,723)	(16,928)
	28,064	31,229	22,538	16,688	98,519
NET EARNINGS (LOSS) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX					
Continuing operations	2,778	3,903	(3,730)	(6,315)	(3,364)
Discontinued operations	302	3,108	(1,377)	(893)	1,140
	3,080	7,011	(5,107)	(7,208)	(2,224)
NET EARNINGS (LOSS) PER SHARE (BASIC) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX					
Continuing operations	$0.07	$0.11	$(0.10)	$(0.17)	$(0.09)
Discontinued operations	$0.01	$0.08	$(0.04)	$(0.02)	$0.03
	$0.08	$0.19	$(0.14)	$(0.19)	$(0.06)
NET EARNINGS (LOSS) PER SHARE (DILUTED) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX					
Continuing operations	$0.07	$0.10	$(0.10)	$(0.17)	$(0.09)
Discontinued operations	$0.01	$0.08	$(0.04)	$(0.02)	$0.03
	$0.08	$0.18	$(0.14)	$(0.19)	$(0.06)
CASH FLOWS FROM OPERATIONS					
In dollars	15,685	17,453	9,602	9,572	52,312
Per share (basic)	$0.42	$0.46	$0.25	$0.25	$1.38
Weighted average number of shares outstanding (basic)	37,744,869	37,766,491	37,773,213	37,745,598	37,757,452

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

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

Wind

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

Following the development projects completed since 2009 and described previously, the wind power segment is now Boralex's largest segment in terms of installed capacity, EBITDA and cash flows. The segment is expected to account for an increasing share of the Corporation's energy portfolio in the coming years as wind farms that Boralex is developing independently or with partners in Canada and in France are gradually commissioned. These facilities will total 529 MW, of which Boralex's net interest represents 334 MW. The commissioning of these facilities will increase the installed capacity of wind power assets in operation owned by Boralex to approximately 620 MW by the end of fiscal 2015, excluding potential acquisitions of other assets in operation or under development.

In particular, this expansion will intensify the impact of the seasonality on this type of power generation on Boralex's overall performance, such that an increasing proportion of the Corporation's revenues will be generated in the first and fourth quarters.

Hydroelectricity

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

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

Thermal

Boralex owns and operates three thermal power stations for an aggregate 80 MW of installed capacity. Of the three, our Senneterre power station in Québec is fuelled by wood-residue and is covered by a Hydro-Québec power sales contract expiring in 2027. An agreement was recently entered into between Hydro-Québec and Boralex under which the Senneterre power station will produce power six months per year during 2012 and 2013, from December to March and in July and August. Given the terms of the agreement, the power station's results are not expected to be affected, provided the facility operates at the projected level during its months in operation.

Boralex also currently operates two natural gas power stations, one in Kingsey Falls, Québec and the other in Blendecques, France. However, the power sales contract of the Kingsey Falls power station matures on November 30, 2012, at which time the facility will cease power production. Negotiations are underway to reach an agreement that will allow Boralex to continue to operate the boiler that supplies its industrial client with steam. The French power station's current power sales contract with EDF contains a clause that caps electricity prices from April to October. When the cost of natural gas is high, the profit margin for this period is not sufficient to offset the ceiling on electricity prices. The cogeneration equipment may therefore be shut down, in which case the Corporation supplies its steam client from an auxiliary boiler. Accordingly, since 2005, the power station has operated its cogeneration equipment during the five months from November to March. Note that steam production is quite stable from quarter to quarter, as it is driven by client demand, which is relatively predictable and steady. As discussed later in this MD&A, the equipment upgrade plan that was launched at the Blendecques power station will allow the facility to sign a new 12-year contract with EDF when its current contract expires in November 2013.

Solar

The Corporation's only solar power station (5 MW) currently in operation is located in Southwestern France. For this facility, covered by a long-term power sales contract, sunlight conditions are usually more favourable in the spring and summer, which occur during Boralex's second and third quarters. In view of these weather conditions, management estimates that approximately 65% of the annual production at its solar power station will be generated in the second and third quarters and 35% in the first and fourth quarters, which favourably offsets the seasonal cycle of the Corporation's other operations to a certain extent.

TO SUM UP,

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

Financial Highlights

(in thousands of Canadian dollars, except per share amounts and number of shares outstanding)	Three-month periods ended September 30 2012	2011	Nine-month periods ended September 30 2012	2011
REVENUES FROM ENERGY SALES				
Wind power stations	12,540	11,328	49,531	44,794
Hydroelectric power stations	7,456	11,615	33,887	40,337
Thermal power stations	12,173	12,368	43,701	51,391
Solar power station	852	887	2,258	1,011
	33,021	36,198	129,377	137,533
EBITDA				
Wind power stations	9,563	8,160	39,622	35,217
Hydroelectric power stations	7,510	8,513	27,211	30,237
Thermal power stations	2,408	2,928	11,957	16,538
Solar power station	770	810	1,988	931
	20,251	20,411	80,778	82,923
Corporate and eliminations	(4,025)	(3,723)	(12,348)	(12,468)
	16,226	16,688	68,430	70,455
NET EARNINGS (LOSS) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX				
Continuing operations	(8,167)	(6,315)	(9,378)	(6,142)
Discontinued operations	566	(893)	3,025	838
	(7,601)	(7,208)	(6,353)	(5,304)
NET EARNINGS (LOSS) PER SHARE (BASIC) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX				
Continuing operations	$(0.22)	$(0.17)	$(0.25)	$(0.16)
Discontinued operations	$0.02	$(0.02)	$0.08	$0.02
	$(0.20)	$(0.19)	$(0.17)	$(0.14)
NET EARNINGS (LOSS) PER SHARE (DILUTED) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX				
Continuing operations	$(0.22)	$(0.17)	$(0.25)	$(0.16)
Discontinued operations	$0.02	$(0.02)	$0.08	$0.02
	$(0.20)	$(0.19)	$(0.17)	$(0.14)
CASH FLOWS FROM OPERATIONS				
In dollars	6,498	9,572	33,690	36,626
Per share (basic)	$0.17	$0.25	$0.89	$0.97
Weighted average number of shares outstanding (basic)	37,730,162	37,745,598	37,727,984	37,761,692

Statement of Financial Position Data

(in thousands of Canadian dollars)	As at September 30, 2012	As at December 31, 2011
Total assets	1,191,947	1,176,855
Debt [1]	517,393	506,184
Convertible debentures	225,491	223,347
Total equity	330,033	328,878

[1] Including non-current debt and current portion of debt.

Non-IFRS Measures

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

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

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

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

	Three-month periods ended September 30		Nine-month periods ended September 30	
(in thousands of Canadian dollars)	2012	2011	2012	2011
Net loss attributable to shareholders of Boralex	(7,601)	(7,208)	(6,353)	(5,304)
Net loss (earnings) from discontinued operations	(566)	893	(3,025)	(838)
Non-controlling shareholders	(632)	(333)	(783)	(761)
Income tax recovery	(3,494)	(4,011)	(3,456)	(3,588)
Net loss on financial instruments	14	68	499	474
Foreign exchange loss (gain)	(25)	(5,393)	106	(3,346)
Financing costs	12,440	12,537	36,639	37,024
Impairment of property, plant and equipment and intangible assets	-	6,503	823	6,503
Other losses (gains)	971	(582)	971	(2,959)
Amortization	15,119	14,214	43,009	43,250
EBITDA	16,226	16,688	68,430	70,455

Cash flows from operations are equal to net cash flows related to operating activities before change in non-cash items related to operating activities. Management uses this measure to assess cash flows generated by the Corporation's operations and its capacity to finance its expansion through those funds. In light of the seasonal nature of the Corporation's operations and development activities, changes in non-cash items can vary considerably. In addition, development activities result in significant changes in *Trade and other payables* during the construction period, as well as an initial injection of working capital at project start-up. Accordingly, the Corporation considers it more representative not to integrate changes in non-cash items in this performance measure.

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

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

	Nine-month periods ended September 30	
(in thousands of Canadian dollars)	2012	2011
Net cash flows related to operating activities	50,829	61,599
Less:		
Change in non-cash items related to operating activities	17,139	24,973
CASH FLOWS FROM OPERATIONS	33,690	36,626

The Corporation defines net debt as follows:

(in thousands of Canadian dollars)	As at September 30, 2012	As at December 31, 2011
Non-current debt	418,823	479,525
Current portion of debt	98,570	26,659
Borrowing costs, net of accumulated amortization	7,514	8,889
Less:		
Cash and cash equivalents	(140,495)	(144,703)
Restricted cash*	-	(552)
Net debt	384,412	369,818

* Excluding restricted cash for Phase 1 of Seigneurie de Beaupré Wind Farms.

The Corporation defines total book capitalization as follows:

(in thousands of Canadian dollars)	As at September 30, 2012	As at December 31, 2011
Total equity	330,033	328,878
Net debt	384,412	369,818
Convertible debentures	225,491	223,347
Convertible debenture issuance costs, net of accumulated amortization	4,318	4,710
Deferred taxes on convertible debentures	5,158	5,158
Imputed interest calculated on convertible debentures	(4,554)	(2,728)
Total book capitalization	944,858	929,183

The Corporation computes the ratio of net debt as follows:

(in thousands of Canadian dollars)	As at September 30, 2012	As at December 31, 2011
Net debt	384,412	369,818
Total book capitalization	944,858	929,183
NET DEBT RATIO	40.7%	39.8%

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

	Three-month periods ended September 30		Nine-month periods ended September 30	
(in thousands of Canadian dollars)	2012	2011	2012	2011
EBITDA	16,226	16,688	68,430	70,455
Specific items:				
Professional fees incurred in connection with acquisitions in France	711	-	1,543	-
Retroactive adjustment to taxes on water rights of U.S. hydroelectric power stations	(3,957)	-	(3,957)	-
ADJUSTED EBITDA	12,980	16,688	66,016	70,455

	Three-month periods ended September 30		Nine-month periods ended September 30	
(in thousands of Canadian dollars)	2012	2011	2012	2011
Net loss attributable to shareholders of Boralex	(7,601)	(7,208)	(6,353)	(5,304)
Net loss (earnings) from discontinued operations	(566)	893	(3,025)	(838)
Specific items:				
Other losses (gains)	680	(407)	680	(2,071)
Impairment of property, plant and equipment and intangible assets	-	4,552	492	4,552
Professional fees incurred in connection with acquisitions in France	477	-	1,034	-
Retroactive adjustment to taxes on water rights of U.S. hydroelectric power stations	(2,374)	-	(2,374)	-
ADJUSTED NET LOSS	(9,384)	(2,170)	(9,546)	(3,661)

* Net of income taxes.

Specific Items for the Three-Month Period Ended September 30, 2012

Boralex recorded the following specific items during the third quarter of fiscal 2012:

- A favourable item of $4.0 million before tax ($2.4 million after tax) representing a retroactive adjustment to taxes on water rights invoiced since 2002 to certain hydroelectric power stations belonging to Boralex in the U.S. This adjustment was made following the settlement of a claim made to the relevant U.S. authorities in Boralex's favour;
- Costs of $0.7 million before tax ($0.5 million after tax) in respect of professional fees incurred in connection with acquisitions recently made in France;
- A loss of $0.7 million after tax on the sale of 75,000 Resolute shares that were transferred by Resolute to Boralex in 2011 following the settlement of the Corporation’s claim in connection with Resolute’s C-36 filing; and
- A gain of $0.6 million after tax in respect of the net earnings from discontinued operations. As provided for under the sale transaction of Boralex's U.S. wood-residue thermal power stations completed in December 2011, this amount mainly comprises the Corporation's 50% share (net of taxes) of REC sales made by these power stations in the third quarter at prices exceeding the threshold price set at the time of the transaction.

The combination of these items had a total net favourable impact of $3.2 million and $1.8 million, respectively, on EBITDA and net loss for the third quarter ended September 30, 2012.

For the corresponding period ended September 30, 2011, Boralex did not record any specific items with an impact on EBITDA. However, the Corporation's net loss had been reduced by three specific items for a total net amount of $5.0 million, including a $4.5 million impairment loss on property, plant and equipment and intangible assets at the Dolbeau thermal power station that was sold in April 2012, a $0.9 million net loss from discontinued operations mainly related to the day-to-day operations of power stations, and a $0.4 million gain on the sale of assets to the Joint Venture entrusted with the development of Phase I of the Seigneurie de Beaupré Wind Farms.

Specific Items for the Nine-Month Period Ended September 30, 2012

For the nine-month period ended September 30, 2012, Boralex recorded the following specific items with a total net favourable impact of $2.4 million on EBITDA for the period and $3.2 million on net loss:

- Retroactive adjustment to taxes on water rights, as previously discussed;
- Professional fees totalling $1.5 million before tax ($1.0 million after tax) incurred in connection with acquisitions in France;
- After-tax impairment loss of $0.5 million on property, plant and equipment and intangible assets that were subsequently sold by the Corporation; and
- Net loss on the sale of Resolute shares, as previously discussed; and
- After-tax gain of $3.0 million related to the net earnings from discontinued operations, mainly representing the sale of RECs produced in 2011 by the thermal power stations sold in December 2011, and the 50% share (net of taxes) of REC sales made by these power stations in the second and third quarters and whose value exceeded the threshold price set at the time of the transaction.

For the corresponding nine-month period ended September 31, 2011, Boralex did not record any specific item with an impact on EBITDA, but a number of specific items had reduced its net loss by a total net amount of $1.6 million.

Analysis of Operating Results for the Three-Month Period Ended September 30, 2012

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

	Adjusted net earnings (loss) (in thousands of Canadian dollars)	Per share (in C$, basic)
THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2011	(2,170)	$(0.06)
Change in adjusted EBITDA	(3,708)	$(0.10)
Amortization	(905)	$(0.02)
Financing costs	97	-
Foreign exchange gains	(5,368)	$(0.14)
Net loss on financial instruments	54	-
Income tax recovery	2,317	$0.06
Non-controlling shareholders	299	$0.01
THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2012	(9,384)	$(0.25)

Excluding net earnings from discontinued operations and the specific items discussed in the previous section, Boralex reported an adjusted net loss of $9.4 million or $0.25 per share (basic and diluted) for the three-month period ended September 30, 2012 compared with $2.2 million or $0.06 per share (basic and diluted) for the corresponding quarter of 2011. The unfavourable change, amounting to $7.2 million or $0.19 per share, resulted largely from the fact that the Corporation realized $5.4 million in foreign exchange gains before taxes in the third quarter of 2011 compared with an insignificant foreign exchange gain for the same quarter of fiscal 2012. Excluding that item, the unfavourable change in adjusted net loss for the third quarter stood at $1.8 million or $0.05 per share, owing to a $3.7 million decrease in adjusted EBITDA arising primarily from poor water flow conditions in Québec and New York State during summer 2012, coupled with a $0.9 million increase in amortization on the addition of a wind power site in France. However, those factors were partially offset by a $2.3 million favourable change in income taxes.

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

(in thousands of Canadian dollars)	Revenues from energy sales	Adjusted EBITDA
THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2011	36,198	16,688
Power station commissioned	1,904	1,279
Shutdown of Dolbeau power station	-	1,097
Pricing	489	489
Volume	(4,648)	(4,601)
Translation of self-sustaining subsidiaries (exchange rate effect)	(1,022)	(558)
Raw material costs	-	(1,362)
Maintenance	-	(383)
Development – prospecting	-	416
Other	100	(85)
THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2012	33,021	12,980

Revenues from Energy Sales

For the three-month period ended September 30, 2012, Boralex reported revenues from energy sales from continuing operations of Boralex totalling $33.0 million, down $3.2 million or 8.8% from $36.2 million for the same period of 2011. Note that changes in exchange rates, primarily the depreciation of the euro against the Canadian dollar, dampened revenues for the third quarter by $1.0 million or 2.8%.

Excluding the foreign exchange effect, the drop in revenues resulted from a 16.3% net decline in the Corporation's total output to 282,686 MWh for the third quarter of 2012 from 337,801 MWh for the same quarter of 2011. The decrease in output was prompted mainly by exceptionally dry weather conditions in Québec and the Northeastern U.S. during summer 2012, which lowered Boralex's hydroelectric segment production by nearly 41.8%. To a lesser extent, the drop in output was also linked to the agreement entered into between Hydro-Québec and Boralex under which the Senneterre thermal power station produced power only in July and August 2012, compared with the full quarter in 2011. However, those two factors were partially offset by the addition of the St-Patrick wind power site in France, acquired on June 28, 2012, as well as by production levels at Boralex's other French wind farms, the natural gas cogeneration plant in Kingsey Falls and its solar power station in Avignonet-Lauragais, France.

The various aforementioned changes had a net unfavourable effect of $2.7 million on quarterly revenues, partially offset by a $0.5 million favourable effect due to a rise in the average selling price across the Corporation's four operating segments, particularly at the natural gas-fired thermal power stations and in the wind power segment.

Other Income

Other income for the third quarter of 2012 amounting to $0.1 million, compared with $0.2 million for the same period of 2011, consisted primarily of management fees for a power station owned by a trust whose sole trustee is a director of the Corporation.

Adjusted EBITDA

For the third quarter of 2012, adjusted EBITDA from continuing operations fell $3.7 million or 22.2% year over year to $13.0 million. Adjusted EBITDA margin was 39.3% compared from 46.1% for the third quarter last year. Including the contribution from the new St-Patrick wind power site, the decline in overall output reduced adjusted EBITDA by $3.3 million. In addition, the Corporation incurred a $1.4 million increase in the cost of fuel, namely natural gas, owing primarily to the expiry in October 2011 of the Kingsey Falls power station's initial supply agreement whose terms were more advantageous compared with the new agreement. EBITDA for the third quarter was also impacted by a $0.6 million unfavourable effect of foreign currency movements, a $0.4 million increase in maintenance costs and various other items totalling $0.1 million.

Conversely, Boralex recorded a boost in profitability from a certain number of positive factors, including a $1.1 million savings from the shutdown of the former Dolbeau thermal power station, which continued to incur significant fixed costs despite being idle in the third quarter of 2011, a $0.5 million contribution due to a rise in the Corporation's average selling price and a $0.4 million decrease in prospecting costs.

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

Amortization expense for the third quarter of fiscal 2012 rose $0.9 million to $15.1 million owing primarily to the addition of the St-Patrick wind power site in France. However, the increase in amortization was tempered by the favourable effect of the euro's depreciation on the Corporation's European assets, the cessation of amortization of the Dolbeau thermal power station and a decline in amortization of the sales contracts at certain U.S. hydroelectric power stations triggered by a drop in their revenues.

There was very little change in financing costs compared with the same period of last year.

Boralex recorded a slight foreign exchange gain in the third quarter of 2012 compared with $5.4 million in foreign exchange gains year over year. The 2011 gains consisted primarily of a $2.9 million favourable remeasurement of intercompany advances to certain U.S. subsidiaries, as well as a $2.1 million favourable remeasurement of Boralex's U.S. dollar holdings, owing primarily to the appreciation of the U.S. dollar against Canada's currency from June 30, 2011 to September 30, 2011.

The Corporation recognized insignificant net losses on financial instruments during the quarters ended September 30, 2012 and 2011. Note that *Net loss (gain) on financial instruments* consists mainly of the ineffective portion of financial instruments. Although all of the financial instruments used by Boralex are highly effective, they always include a very small ineffective portion. Generally, if the change in derivative instruments is favourable to Boralex, it gives rise to a favourable ineffective amount. Conversely, when the change in derivative instruments is unfavourable to Boralex, it gives rise to an unfavourable ineffective amount.

Other Losses (Gains)

Boralex recorded a $1.0 million loss on sale of shares in the third quarter of 2012 and a $0.6 million gain on sale of assets to the Joint Venture in the comparable quarter of 2011. These items are described under *Specific Items for the Three-Month Period Ended September 30, 2012*.

Impairment of Property, Plant and Equipment and Intangible Assets

In 2011, a $6.5 million impairment charge was recorded against the value of property, plant and equipment at the Dolbeau thermal power station following management's decision to close it permanently.

Adjusted Net Loss Attributable to Shareholders of Boralex

Excluding the aforementioned specific items, Boralex reported an adjusted net loss of $9.4 million or $0.25 per share (basic and diluted) for the three-month period ended September 30, 2012, compared with an adjusted net loss of $2.2 million or $0.06 per share (basic and diluted) for the corresponding quarter of 2011. This unfavourable change was primarily attributable to significant foreign exchange gains realized in 2011 and a decline in EBITDA owing in large pat to unfavourable water flow conditions in summer 2012.

TO SUM UP,

despite poor water flow conditions in Québec and the Northeastern U.S. in the third quarter, changes in Boralex's revenues and EBITDA continue to highlight the positive impact of its development strategy, and more specifically, the benefits generated by expansion and growing geographic diversification in its wind power segment, including the contribution of the power station in operation recently acquired in France.

Analysis of Operating Results for the Nine-Month Period Ended September 30, 2012

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

	Adjusted net earnings (loss) (in thousands of Canadian dollars)	Per share (in C$, basic)
NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2011	(3,661)	$(0.10)
Change in adjusted EBITDA	(4,439)	$(0.12)
Amortization	241	$0.01
Financing costs	385	$0.01
Foreign exchange loss (gain)	(3,452)	$(0.09)
Net loss on financial instruments	(25)	-
Income tax recovery	1,494	$0.04
Non-controlling shareholders	(89)	-
NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2012	(9,546)	$(0.25)

Boralex reported an adjusted net loss of $9.5 million or $0.25 per share (basic and diluted) for the nine-month period ended September 30, 2012, compared with $3.7 million or $0.10 per share (basic and diluted) for the corresponding period of 2011. Excluding the significant gains realized in the third quarter of fiscal 2011, discussed in the previous section, this deterioration reflects the decline in adjusted EBITDA of Boralex stemming primarily from the abnormally poor water flow conditions encountered by the hydroelectric segment in the second and third quarters of 2012, as well from the increase in the cost of natural gas consumed at the Kingsey Falls thermal power station. These factors had a total unfavourable effect of $8.1 million on the Corporation's loss before income taxes, offset in part by a $1.5 million favourable change in taxes, as well by a $0.6 million aggregate decline in amortization and financing costs.

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

(in thousands of Canadian dollars)	Revenues from energy sales	Adjusted EBITDA
NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2011	137,533	70,455
Power stations commissioned	3,015	2,230
Shutdown of Dolbeau power station	(3,920)	498
Pricing	2,537	2,537
Volume	(7,577)	(5,385)
Capacity premiums	(498)	(498)
Translation of self-sustaining subsidiaries (exchange rate effect)	(1,587)	(661)
Raw material costs	-	(4,269)
Maintenance	-	(1,538)
Other	(126)	2,647
NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2012	129,377	66,016

Revenues from Energy Sales

For the nine-month period ended September 30, 2012, Boralex reported revenues from energy sales from continuing operations totalling $129.4 million compared with $137.5 million for the same period of 2011. Excluding the $1.6 million unfavourable foreign exchange effect, this $8.1 million (5.9%) decrease resulted principally from a 12.7% net decline in the Corporation's total year-to-date output to 1,079,469 MWh from 1,236,680 MWh for the first nine months of 2011. Accordingly, lower output levels at existing power stations, more specifically hydroelectric and thermal power facilities, and the shutdown of the Dolbeau thermal power station, give rise to revenue shortfalls of $7.6 million and $3.9 million, respectively, in addition to reducing capacity premiums by $0.5 million. However, these declines were attenuated by $3.0 million in additional revenues from new sites, namely, the St-Patrick wind power site acquired late in the second quarter and the solar power station whose contribution spanned the full nine-month period in 2012 compared with only three and a half months in fiscal 2011. Furthermore, the increase in the Corporation's average selling price added $2.5 million to revenues for the period, year over year.

Other Income

Other income of $0.5 million recorded in the first nine-month periods of 2012 and 2011 consisted mostly of management fees for a power station owned by a trust whose sole trustee is a director of the Corporation.

Adjusted EBITDA

For the nine-month period ended September 30, 2012, adjusted EBITDA amounted to $66.0 million, down $4.5 million or 6.4% from $70.5 million for the same period of 2011. EBITDA margin for the first nine months of 2012 stood at 51.0% compared with 51.3%, year over year.

Year to date, the main detractors from Boralex's performance are as follows:

- $5.4 million unfavourable volume effect on revenues, linked mainly to the hydroelectric segment;
- $4.3 million increase in the cost of fuel, more specifically natural gas;
- $1.5 million increase in maintenance costs;
- $0.7 million unfavourable foreign exchange effect; and
- $0.5 decline reduction in capacity premiums.

However, the adverse impact of the above was tempered by the following factors: the addition of the St-Patrick wind power site and Avignonet-Lauragais solar power station for an extra $2.2 million contribution to EBITDA; a $2.5 million increase from higher average selling prices; total net savings of $0.5 million on the Dolbeau shutdown; and favourable overall performance in the wind and solar power segments.

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

Despite the addition of the St-Patrick wind power site and the amortization of the solar power station over the full nine-month period compared with 3.5 months in fiscal 2011, year-to-date amortization expense fell $0.2 million to $43.0 million compared with the nine-month period ended September 30, 2011. This decline resulted from the types of favourable factors discussed in the analysis of operating results for the three-month period ended September 30, 2012.

Financing costs fell $0.4 million to $36.6 million due to the foreign exchange effect and higher investment income derived from the Corporation's liquid assets, partially offset by increased indebtedness in France related to the commissioning of facilities.

Boralex reported a $0.1 million foreign exchange loss for the first nine months of 2012, compared with a $3.3 million foreign exchange gain for the same period of 2011, due to the remeasurement of intercompany advances and foreign currency balances described above. The Corporation recognized a $0.5 million net loss on financial instruments year to date, a level unchanged from the first nine months of 2011.

Other Losses (Gains)

For the nine-month period ended September 30, 2012, Boralex reported a $1.0 million loss on sale of shares, while it recorded a total gain of $3.0 million for the same period a year ago. These items are described under *Specific Items for the Nine-Month Period Ended September 30, 2012*.

Impairment of Property, Plant and Equipment and Intangible Assets

A $0.8 million impairment loss on the property, plant and equipment and intangible assets of the Dolbeau thermal power station and the wind power development project in Italy was recognized as at March 31, 2012 to reduce the carrying amount of these assets to their recoverable amount. As previously discussed, a $6.5 million impairment charge was recognized in 2011 in respect of the Dolbeau power station.

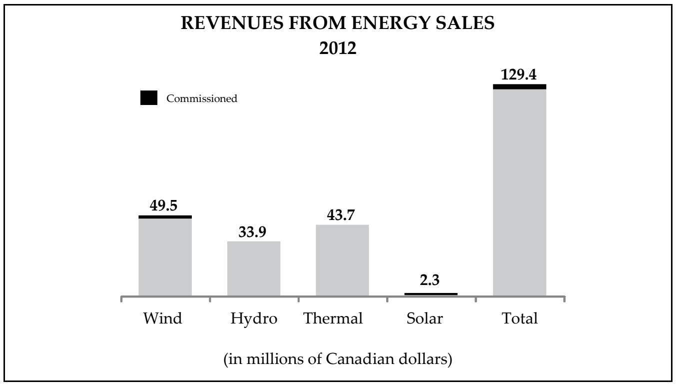
Adjusted Net Loss Attributable to Shareholders of Boralex

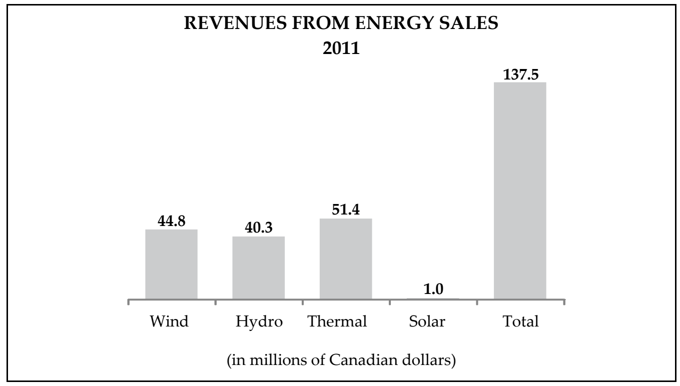
Excluding the aforementioned specific items, Boralex reported an adjusted net loss of $9.5 million or $0.25 per share (basic and diluted) for the nine-month period ended September 30, 2012, compared with an adjusted net loss of $3.7 million or $0.10 per share (basic and diluted) for the corresponding period of 2011.

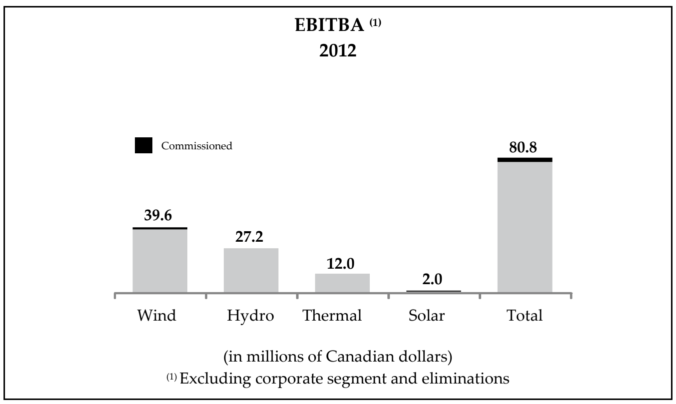
TO SUM UP,

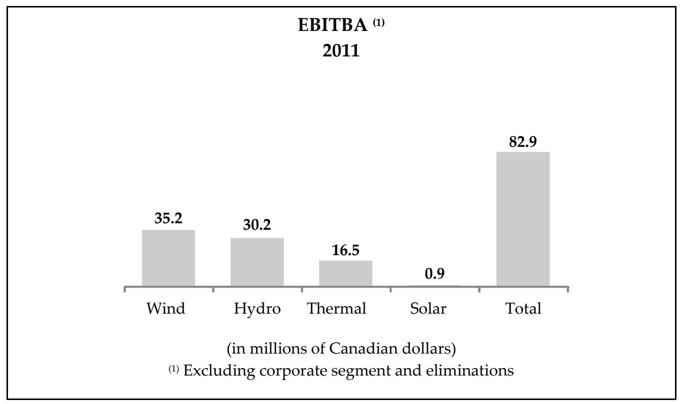
Boralex's year-to-date performance was mainly affected by exceptionally adverse weather conditions in its hydroelectric power segment and higher natural gas cost prices in its thermal power segment, particularly at Kingsey Falls where power production is slated to cease in November 2012. Excluding those factors, the results for the nine-month period ended September 30, 2012 highlight the benefits of the Corporation's strategy over the past three years to focus operations and development projects on renewable energy assets covered by long-term power sales contracts and endeavours with superior growth and return prospects. The geographic and segment diversification of the Corporation's asset base combined with sound performance and the recent expansion in the wind power segment, the commissioning of the new solar power station and the voluntary decrease in the relative weight of the thermal power segment have significantly contributed to the Corporation's results, which reflects a more promising positioning for growth and profitability.

Segment and Geographic Breakdown of Results of Continuing Operations for the Nine-Month Period Ended September 30, 2012









The following is a discussion of changes in segment breakdown of revenues and EBITDA for the first nine months of fiscal 2012 compared with the same period of 2011.

Wind

Year-to-date wind power segment revenues were up 10.5% compared with the first nine months of 2011, boosting its share of consolidated revenues to 38.2% from 32.6% for the same period of 2011. Apart from the additional contribution of the new St-Patrick site acquired late in the second quarter, this growth was primarily driven by higher output at all of our French facilities due to significantly more favourable wind conditions year to date than in the first nine months of 2011. Facilities in Canada also contributed to overall growth in wind power segment revenues, but to a lesser extent as wind conditions in the second and third quarters were less favourable than in same periods last year. Year-to-date wind power EBITDA was up 12.5%, increasing its share of consolidated EBITDA (before the corporate segment and eliminations) to 48.9% from 42.5% for the first nine months of 2011, confirming the wind power segment as Boralex's key driver of EBITDA. The segment's EBITDA margin for the first nine months of 2012 was above average for the Boralex energy asset portfolio at approximately 80.0% (78.6% in the 2011 period).

With Boralex's share of wind power projects under development set to add nearly 334 MW to its net contracted capacity, the segment's top contribution to operating profitability stands to grow in the coming years, enhancing the Corporation's average profit margin.

Hydroelectric

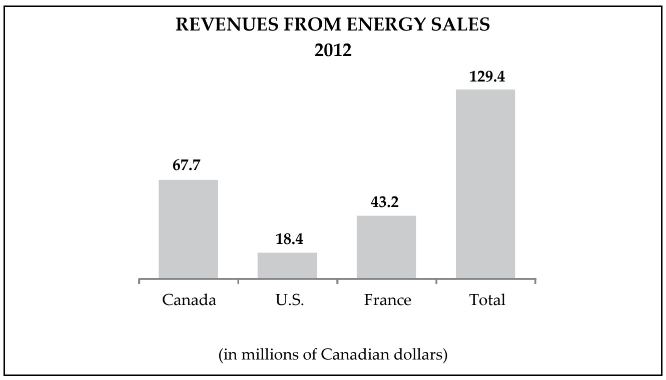
The hydroelectric segment's share of consolidated revenues for the first nine months of 2012 declined to 26.2% from 29.3% year over year, as segment revenues fell 15.9% owing to low water flow rates in the Northeastern U.S. in spring 2012, followed by similarly unfavourable water flow conditions in Québec and New York State in summer 2012. For these reasons, year-to-date hydroelectric power EBITDA was down 9.9% (23.2% on an adjusted basis), reducing its share of consolidated EBITDA (before the corporate segment and eliminations) to 33.7% from 36.5% for the same period of 2011. Year over year as a percentage of revenues, segment EBITDA grew to 80.2% (68.4% on an adjusted basis) from 74.9% in the 2011 period.

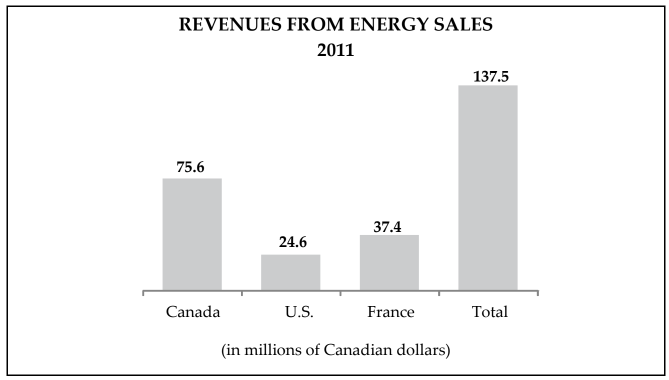
Thermal

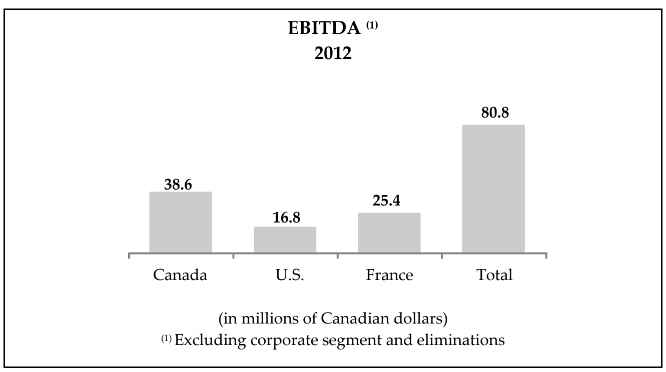
The thermal power segment accounted for 33.8% of consolidated revenues for the nine-month period ended September 30, 2012 compared with 37.4% for the same period of 2011 owing to the shutdown of the Dolbeau power station and the agreement entered into with Hydro-Québec resulting in only five months of power production at the Senneterre power station since the beginning of 2012. The thermal power segment's share of consolidated EBITDA (before the corporate segment and eliminations) was 14.9% year to date compared with 19.9% for the same period a year earlier. The decline was sparked in large part by higher natural gas costs on renewal of the supply contract at Kingsey Falls under less favourable terms than in the previous contract. As a result, the segment's EBITDA margin fell to 27.5% year to date, from 32.1% for the first nine months of 2011.

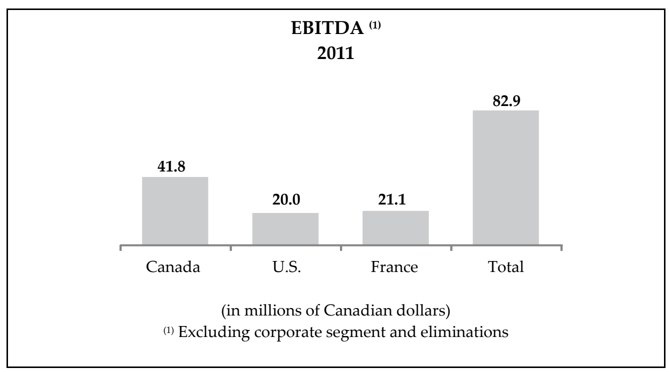
Solar

Although solar power accounts for a relatively small percentage of Boralex's energy asset portfolio at present, the new solar power station generated non-negligible EBITDA of $2.0 million on revenues of $2.3 million in the first nine months of 2012, representing an EBITDA margin of 87.0%, as a percentage of revenues. The solar power segment's year-to-date share of Boralex's consolidated revenues and EBITDA (before the corporate segment and eliminations) stood at 1.8% and 2.5%, respectively.









Geographically, revenues from energy sales excluding discontinued operations for the nine-month period ended September 30, 2012 were broken down as follows:

- 52.4% in Canada compared with 54.9% in the 2011 period;
- 14.2% from the United States compared with 17.9% in the 2011 period; and
- 33.4% in France compared with 27.2% for the same period last year.

The slightly smaller share of revenues generated by Canadian assets was primarily due to the shutdown of the Dolbeau power station as of the second quarter of 2011 and the agreement entered into with Hydro-Québec under which the Senneterre thermal power station's year-to-date power production comprised five months only compared with nine months in 2011. The higher weight of the European market was driven by revenue growth in the wind power segment in France due to favourable wind conditions and the addition of St-Patrick wind power site as of June 28, 2012, as well as by a full contribution by the solar power station commissioned on June 17, 2011. The lower share of revenues from the U.S. was mainly prompted by unusually unfavourable water flow conditions in the second and third quarters of 2012.

Review of Operating Segments

Wind Power Stations

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

(in thousands of Canadian dollars)	Three-month period ended		Nine-month period ended	
	Revenues from energy sales	EBITDA	Revenues from energy sales	EBITDA
SEPTEMBER 30, 2011	11,328	8,160	44,794	35,217
Power station commissioned	1,904	1,279	1,904	1,279
Pricing	137	137	632	632
Volume	(166)	(166)	3,744	3,744
Translation of self-sustaining subsidiaries (exchange rate effect)	(713)	(512)	(1,486)	(1,076)
Maintenance	-	(145)	-	(389)
Other	50	810	(57)	215
SEPTEMBER 30, 2012	12,540	9,563	49,531	39,622

Operating Results for the Three-Month Period

The wind power segment remains the main driver of financial performance for Boralex. In the third quarter of 2012, the wind power segment posted year-over-year growth in production, revenues and EBITDA of 16.3%, 10.7% and 17.2%, respectively. As in the second quarter, third-quarter segment performance was driven by our French power stations with the June 28, 2012 acquisition of the St-Patrick wind power site in operation and higher output at existing wind power sites. Meanwhile, wind conditions at our Canadian facilities were less favourable than in third quarter of 2011. The balance struck by geographic diversification in Boralex's wind power segment proves to be a strong growth driver once again.

Production

For the three-month period ended September 30, 2012, a total of 110,343 MWh of wind power was produced compared with 94,840 MWh in the same period of 2011. This performance was largely attributable to the addition of the St-Patrick wind power site, coupled with a 2.2% increase in production at our other French sites. For the fourth straight quarter, our French facilities recorded better wind conditions than in the same quarter a year earlier, along with good average equipment availability. In Canada, however, despite favourable equipment availability, wind conditions were less advantageous at the Thames River, Ontario sites than in the same period the year before, which reduced production by 9.0%.

Revenues and EBITDA

Wind power revenues for the third quarter totalled $12.5 million, up from $11.3 million year over year. Excluding the $0.7 million unfavourable impact from the weakening of the euro against the Canadian dollar, quarterly revenues would have risen $1.9 million or 17.0% owing primarily to the addition of the St-Patrick wind power site and its $1.9 million revenue contribution. In addition, selling price indexing in France and Ontario added $0.1 million to revenues. Conversely, excluding exchange rate movements, the pace of revenue growth was tempered by lower output at Canadian wind power sites, representing a $0.2 million adverse effect.

Wind power EBITDA and EBITDA margin for third quarter amounted to $9.6 million and 76.3%, respectively, compared with $8.2 million and 72.0% for the same period of 2011. Excluding the $0.5 million unfavourable foreign exchange effect owing to a weakened euro, the French wind power sites stepped up their contribution to segment EBITDA by 23.5% with the $1.3 million contribution from the St-Patrick facility, higher selling prices at existing French sites and various other favourable items totalling over $0.8 million, mainly in relation to insurance settlements.

Operating Results for the Nine-Month Period

Year to date, the wind power segment posted growth in production, revenues and EBITDA of 13.4%, 10.5% and 12.5%, respectively, compared with the first nine months of 2011. While the two geographic markets contributed to those increases, Boralex's wind power asset base in France was the main growth driver due to the acquisition of a wind power site in operation, generally better wind conditions than in the first nine-months of 2011 and good equipment availability. In addition to the St-Patrick site with its capacity of about 35 MW, a series of transactions that closed in the second quarter of 2012 will incorporate an extra 88 MW in contracted wind power capacity by late 2013. With these acquisitions, the wind power segment remains squarely at the fore of Boralex's development strategy.

Production, Revenues and EBITDA

Year-to-date electricity production in the wind power segment totalled 421,584 MWh compared with 371,771 MWh for the same period of the previous year. With the addition of the St-Patrick wind power site combined with 14.7% growth in output at existing sites, the facilities in France increased their output by 22.7% while production at Canadian sites rose 0.9%.

Cumulative revenues amounted to $49.5 million compared with $44.8 million last year. Excluding the unfavourable impact of $1.5 million resulting from exchange rate fluctuations, revenue growth amounted to $6.2 million or 13.9%. Higher output generated additional revenues of $5.6 million, including $1.9 million from the addition of the St-Patrick site and $3.7 million from existing sites, mainly in France. Also, higher average selling prices generated an additional $0.6 million in revenues.

Wind power segment EBITDA and EBITDA margin for the first nine months of fiscal 2012 amounted to $39.6 million and 80.0%, respectively, compared with $35.2 million and 78.6% for the same period last year. Despite a $1.1 million unfavourable foreign exchange impact, the French facilities increased their contribution to EBITDA by 20.5%, or 26.6% at constant exchange rates. The Canadian sites grew their EBITDA by 4.4%. For the segment as a whole, the addition of the St-Patrick site in France, greater output at existing sites, higher average selling prices and various other favourable items contributed an additional $5.9 million to EBITDA compared with 2011, largely offsetting the foreign exchange impact and the $0.4 million increase in maintenance costs.

Development Projects and Recent Events

As of the date of this MD&A, Boralex had entered into long-term power sales contracts, independently or with partners, for wind power projects totalling 529 MW, consisting of 441 MW in Québec, Canada and 88 MW in France. Boralex's net share of all projects totals 334 MW, comprising 246 MW in Canada and 88 MW in France. The Canadian projects are slated for commissioning from December 2013 to December 2015 and include the largest wind farm currently under development in Canada and the largest project undertaken by Boralex, namely the phase 1 of the Seigneurie de Beaupré Wind Farms totalling 272 MW (net share of 136 MW for Boralex). The four projects currently being developed by Boralex in France are slated for commissioning during the second half of fiscal 2013.

Wind power projects under development in Canada are described below.

1. In 2011, Boralex and its partner Gaz Métro Limited Partnership set up an equally owned joint venture (the "Joint Venture") to build and operate phase 1 of the Seigneurie de Beaupré Wind Farms with an installed capacity of 272 MW, slated for commissioning in December 2013. Boralex management is proud to confirm that construction of Canada's largest ever wind farm, currently employing over 450 persons, is on budget and schedule. To date, the road network, comprising over 110 km, has been completed, and 95% of foundation work has been completed. Delivery of wind turbine rotor blades started last August and the first towers have been erected. The Corporation expects that 64 of the 126 wind turbine towers will be completed by the end of the current fiscal year. Boralex's management is confident that the expertise and skills acquired by its team in the commissioning and operation of the Thames River wind power site in Ontario will be invaluable to the successful commissioning of the Seigneurie de Beaupré Wind Farms.

   The construction of phase 1 of this wind farm requires an investment of approximately $750 million. On November 8, 2011, the Joint Venture secured financing for $725 million, comprising a two-year construction loan of $590 million, which will be converted into a term loan amortized over 18 years after the start of commercial operations, together with short-term facilities totalling $135 million. This complex financing arrangement won two prestigious awards in London and New York in January and March 2012, particularly for its unique structure and the participation of atypical investors in this type of project financing.

   In November 2011, the Joint Venture entered into interest rate swap transactions to set a significant portion of the financing rate for its Seigneurie de Beaupré wind power project. Accordingly the interest rate is set at approximately 5.50% over the term of the project.

2. Boralex and its partner Gaz Métro Limited Partnership are working together to implement another Seigneurie de Beaupré wind farm with a 69 MW capacity, scheduled for commissioning in December 2014. The environmental approval process is underway and management is making arrangements to complete the "debt" portion of the financing by the end of fiscal 2012. Apart from the site's significant advantages regarding wind and environmental conditions and existing infrastructure, the future wind farm will enjoy a performance boost from logistical synergies to be achieved during its construction and subsequent operation.

3. In June 2011, two community wind farm projects developed jointly by Boralex and the Québec RCMs of Témiscouata and La Côte-de-Beaupré secured 20-year power sales contracts with Hydro-Québec. These wind farms, with a capacity of 25 MW each, are to be commissioned late in 2014 and in 2015, respectively.

4. During the first quarter of fiscal 2012, more specifically on March 27, 2012, Boralex signed a 20-year power supply contract with Hydro-Québec for a 50 MW wind power project. The project is expected to be commissioned in late 2015 and will be developed in the Témiscouata RCM on a site adjacent to the above-mentioned community wind farm project.

Operating in France through its subsidiary Boralex Europe S.A., the Corporation completed transactions in the second quarter of 2012 to acquire a 34.5 MW wind farm in operation and four development sites totalling 88 MW.

1. On June 5, 2012, Boralex entered into a purchase contract to acquire a 32 MW wind power project located in the French department of Indre. The future site, to be commissioned at the end of 2013, will consist of 16 Gamesa G90 wind turbines rated at 2 MW each. Opting for this technology will allow Boralex to expand its wind turbine operating expertise to different models. All of the power generated at the future site will be sold to EDF under a 15-year contract. The total investment will amount to approximately $55 million (€43 million). Management is confident that the financing arrangements can be completed soon since the process is at an advanced stage, particularly with Boralex receiving a favourable preliminary indication from the lenders.

2. On June 28, 2012, Boralex closed a series of transactions totalling approximately $45 million (€34 million) with AES Corporation and InnoVent SAS ("InnoVent"), a wind farm developer. As a result, the Corporation acquired a 34.5 MW wind farm in operation—St-Patrick wind farm—in Northern France. St-Patrick wind farm was commissioned from July 2009 to February 2010 and sells its electricity to EDF under long-term contracts expiring in 2024 and 2025. At the same time, Boralex completed a transaction with InnoVent to acquire three fully authorized wind power projects with a total capacity of 56 MW. Given that these projects are also located in Northern France, these new sites covered under long-term sales contracts with EDF will further strengthen Boralex's geographic diversification in all the main regions of France. Lastly, Boralex entered into a five-year agreement with InnoVent to secure options to acquire 130 MW in additional wind power projects currently under development by the vendor.

The aforementioned acquisition transactions allowed Cube to make its equity investment per the partnership agreement, thereby completing its initial financial commitment ahead of its December 2012 deadline. This injection of funds thus increases Cube's interest in Boralex Europe S.A. to 25.33%.

Outlook

Excluding the potential impact of external factors such as currency fluctuations and meteorological conditions, wind power segment performance for the remaining part of fiscal 2012 will benefit, among other factors, from the near 34.5 MW contribution made by the new St-Patrick facility in France, whose performance to date matches management's expectations. As in the past, performance in the wind power segment will be underpinned, above all, by its team's expertise and its unrelenting efforts to optimize wind turbine availability and performance, leveraging in particular its expertise in preventive and corrective maintenance and remote management of wind turbines.

Boralex's wind power segment will remain its main growth driver over the longer term. The table below shows the scale of Boralex's wind power projects currently under development. The net interest represents Boralex's share of results while the remaining interest belongs to our Canadian and European partners.

Wind Power Projects under Development

2013	2013	2013	2014	2014	2015	2015
France	France	Québec	Québec	Québec	Québec	Québec
La Vallée	Other projects announced (3 projects)	Seigneurie de Beaupré (Phase 1)	Seigneurie de Beaupré (Phase 2)	Témiscouata community project	La Côte-de-Beaupré community project	Témiscouata II
32 MW	56 MW	272 MW	69 MW	25 MW	25 MW	50 MW
75% net Boralex interest	75% net Boralex interest	50% net Boralex interest	50% net Boralex interest	51% net Boralex interest	51% net Boralex interest	100% net Boralex interest

Over and above its 334 MW share of the contracted installed capacity now under development in Québec and France, Boralex currently has the financial capacity to fund the equity portion of wind power projects totalling approximately 100 MW of additional capacity. Boralex's goal is to control approximately 960 MW of installed wind power capacity by the end of 2015.

The Corporation will continue seeking opportunities to acquire new wind power projects in Canada and Europe, including operational sites and projects in advanced stages of development with potential for near-term commissioning. Following the recent election of a new government in Québec, management expects continuity in the province's development of its wind power potential. Boralex believes that it is well positioned to benefit from this trend, especially since the Corporation and its partners have exclusive development rights to the high-potential Seigneurie de Beaupré site on which facilities with additional capacity of nearly 500 MW could be installed in the short term. Ontario also remains an attractive market for Boralex, given its wind power potential.

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

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

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

Hydroelectric Power Stations

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

	Three-month period ended		Nine-month period ended	
(in thousands of Canadian dollars)	Revenues from energy sales	Adjusted EBITDA	Revenues from energy sales	Adjusted EBITDA
SEPTEMBER 30, 2011	11,615	8,513	40,337	30,237
Pricing	55	55	(341)	(341)
Volume	(4,341)	(4,341)	(6,890)	(6,890)
Translation of self-sustaining subsidiaries (exchange rate effect)	77	49	662	536
Maintenance	-	(174)	-	(471)
Other	50	(549)	119	183
SEPTEMBER 30, 2012	7,456	3,553	33,887	23,254

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

HYDROELECTRIC PRODUCTION (MWh)	2012	2011
Three-month periods ended September 30	86,472	148,596
Historical average – three-month periods (1)	118,328	117,963
Nine-month periods ended September 30	408,441	507,091
Historical average – nine-month periods (1)	462,614	464,330
Annual historical average (1)	626,296	626,740

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

Operating Results for the Three-Month Period

As in the second quarter, the hydroelectric segment performance in the third quarter of 2012 was affected by unusually weak water flow conditions, not only in Northeastern U.S. but also in Québec, due to very low rainfall in the summer of 2012. As a result, the segment recorded a decline of output of 41.8% and approximately 27%, respectively, compared with the same quarter of 2011 and the historical average for the third quarter. Lower output is the main factor underlying the decreases in third quarter segment revenues and adjusted EBITDA of 35.8% and 58.3%, respectively.

As mentioned on page 15 of this MD&A, hydroelectric segment EBITDA was affected by a $4.0 million retroactive adjustment to taxes on water rights of hydroelectric power stations in the U.S. EBITDA, as reported, amounted to $7.5 million.

Production

The hydroelectric power segment generated 86,472 MWh in the third quarter of 2012 compared with 148,596 MWh for the same period of 2011. Output at U.S. power stations declined 49.7% due to unfavourable water flow conditions and the shutdown of a power station following equipment failure. Production at Canadian power stations was down 31.0% following Québec's exceptionally dry summer in 2012.

Revenues and Adjusted EBITDA

The hydroelectric power segment's revenues from energy sales for the third quarter amounted to $7.5 million compared with $11.6 million year over year, while adjusted EBITDA fell to $3.6 million from $8.5 million. The drop in production volumes gave rise to a $4.3 million net shortfall in revenues and adjusted EBIDTA. Also, profitability for the quarter was affected by a $0.2 million increase in maintenance costs and a $0.5 million unfavourable variance in other items, partly offset by the $0.1 million favourable impact arising from exchange rate fluctuations between the Canadian and U.S. currencies and higher average selling prices.

Operating Results for the Nine-Month Period

Following a very good first quarter, the hydroelectric power segment was affected by exceptionally unfavourable water flow conditions in the second and third quarters with output, revenues and adjusted EBITDA for the nine-month period ended September 30, 2012 declining 19.5%, 16.0% and 23.1%, respectively, compared with the same period in 2011.

However, on the whole, Boralex's hydroelectric power segment has remained true to its reputation built over two decades as an efficient and reliable profit and cash flow generator, continuing to deliver solid results and a high profit margin of 68.6% on an adjusted basis.

Production, Revenues and Adjusted EBITDA

Production for the first nine months of fiscal 2012 amounted to 408,441 MWh compared with 507,091 MWh for the same period in 2011. Output at U.S. and Canadian power stations fell by 26.1% and 7.2%, respectively. On the whole, as shown in the previous table, hydroelectric power segment production was 11.7% lower than Boralex's historical averages for the nine-month period. In addition to particularly unfavourable weather conditions, two U.S. power stations had to be shut down following equipment failure.

Lower production resulted in a $6.9 million shortfall in revenues and adjusted EBITDA for the nine-month period ended September 30, compared with the same period of last year. In addition, a decline in average open-market electricity selling prices, for the period, paid to U.S. power stations not covered by power sales contracts reduced revenues and adjusted EBITDA by $0.3 million. These unfavourable factors, coupled with the $0.5 million rise in maintenance costs, were partially offset by a favourable foreign exchange effect on revenues and EBITDA of $0.7 million and $0.5 million, respectively, and by the absence of certain non-recurring expenses incurred in 2011.

Project under Development and Outlook

On July 25, 2012, Boralex announced the signing of a binding letter of agreement to acquire a 22 MW run-of-river hydroelectric power station project (the "Project"). The Project, located near Gold Bridge, British Columbia, will require around $60 million in investments and is expected to generate approximately 70,000 MWh annually. The Project is covered by a 40-year power sales contract with BC Hydro that also contains a 20-year renewal option. On October 25, 2012, Boralex announced it had completed the acquisition with financing to be arranged over the next two quarters. All of the main permits have been secured and construction work is set to start shortly with commercial commissioning slated for late 2013.

Concurrently with Dam Safety Act compliance work to be performed at the Buckingham, Québec power station, Boralex implemented a development project to optimize this investment through an expansion aimed at adding up to 10 MW to the power station's current installed capacity. Management is reviewing various scenarios and is currently in talks with the Ministère des Ressources naturelles et de la Faune to validate and upgrade this project.

Following the recognition of the private nature of the water flow at the Rimouski facility, Québec, in 2012, Boralex has been able to extend the initial term of the facility's power sales contract by five years. The renewal period was also extended by five years.

Boralex is currently reviewing certain acquisition opportunities to grow its hydroelectric segment, particularly in Ontario and British Colombia. With over twenty years' experience in hydroelectric power, a skilled team and high quality assets, Boralex believes it is poised to make further inroads into the hydroelectric market. Since acquiring the Fund, in particular, the Corporation has enjoyed a larger, more profitable hydroelectric power base with better geographic distribution and steadier, more predictable cash flows. The new profile softens the impact of economic conditions, including fluctuations in open market selling prices in the United States, and U.S./Canadian dollar exchange rate movements, on segment results.

Given the quality of our assets and the ongoing maintenance program underway at all Boralex hydroelectric power stations, there is no indication that production will not be in line with historical averages. In addition, Canadian power stations will continue benefitting from indexation under power sales contracts, as well as from capacity premiums, throughout the initial contract term.

Thermal Power Stations

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

	Three-month period ended		Nine-month period ended	
(in thousands of Canadian dollars)	Revenues from energy sales	EBITDA	Revenues from energy sales	EBITDA
SEPTEMBER 30, 2011	12,368	2,928	51,391	16,538
Shutdown of Dolbeau power station	-	1,097	(3,920)	498
Pricing	289	289	2,238	2,238
Volume	(188)	(141)	(4,658)	(2,465)
Translation of self-sustaining subsidiaries (exchange rate effect)	(296)	(66)	(663)	(141)
Capacity premiums	-	-	(511)	(511)
Raw material costs	-	(1,362)	-	(4,269)
Maintenance	-	(27)	-	(551)
Other	-	(310)	(176)	620
SEPTEMBER 30, 2012	12,173	2,408	43,701	11,957

Operating Results for the Three-Month Period

For the third quarter ended September 30, 2012, the thermal power segment recorded declines in output, revenues from energy sales and EBITDA of 9.3%, 1.6% and 17.8%, respectively. The lower output stems from the agreement entered into between Boralex and Hydro-Québec under which the wood-residue power station in Senneterre, Québec was shutdown in September 2012. The slight decrease in revenues resulted manly from currency fluctuations. The change in EBITDA reflects two main factors whose impacts were partly offset: weaker results, following higher natural gas supply costs, at the two natural gas power stations, particularly the Kingsey Falls facility in Québec, were largely offset by $1.1 million in savings generated following the closure of the Dolbeau wood-residue power station in Québec.

Production

For the three-month period ended September 30, 2012, the thermal power segment generated 83,815 MWh of electricity compared with 92,423 MWh for the same period in 2011 as the Senneterre power station produced power during two months only compared with three months in 2011. Under the agreement entered into between Boralex and Hydro-Québec, this power station will operate only six months per year in 2012 and 2013, from December to March and from July to August. Regarding the two natural gas cogeneration power stations, the Blendecques facility in France did not produce any electricity in the third quarters of 2012 and 2011 as it operates its cogeneration equipment during the winter period only, from November 1 to March 31, due to specific conditions prevailing in the French market in recent years. However, during shutdowns, the power station continues to supply steam to its industrial client from an auxiliary boiler. The Kingsey Falls power station in Québec increased its electricity output by 8.9% mainly because its production was slowed down by major maintenance work during the third quarter of 2011. Steam output at these two cogeneration power stations rose 3.6% in the third quarter.

Revenues and EBITDA

Thermal power segment revenues totalled $12.2 million compared with $12.4 million for the same period last year. Excluding the $0.3 million unfavourable impact from the weakening of the euro against the Canadian dollar, quarterly revenues are up slightly at constant exchange rates. The revenue shortfall resulting from the shutdown of operations at the Senneterre power station in September 2012 was offset by higher average selling prices for steam and electricity and the increased output at the Kingsey Falls power station.

Quarterly EBITDA amounted to $2.4 million compared with $2.9 million for the same period a year earlier, with the $0.5 million decline attributable to the natural gas power stations. Higher natural gas supply costs had a $1.4 million negative impact on the thermal power segment's profitability for the quarter. The Kingsey Falls power station was mainly affected as its supply contract was renewed in October 2011 under terms less favourable than its initial contract. In addition to the unfavourable foreign exchange impact, the Blendecques power station was affected by the non-recurrence of certain favourable items recorded in 2011. On the upside, the profitability of these two facilities was bolstered by their higher selling prices, increased output at the Kingsey Falls power station and lower maintenance costs.

Operating results at the Senneterre wood-residue power station remained stable compared with last year since the impact of the one month-long shutdown of operations was offset by the compensation provided for under the agreement entered into with Hydro-Québec and an improvement in the combustion rate.

Lastly, third-quarter results in the thermal power segment were strengthened by savings of $1.1 million arising from the sale of the Dolbeau power station, given that the facility, which was still reported in the Corporation's assets in the third quarter of 2011, had ceased operations while continuing to incur significant fixed expenses.

Operating Results for the Nine-Month Period

Year to date, the hydroelectric power segment posted declines in production, revenues and EBITDA of 31.4%, 15.0% and 27.7%, respectively, compared with the first nine months of fiscal 2011.

Production, Revenues and EBITDA

For the nine-month period ended September 30, 2012, the thermal power segment generated 244,119 MWh of electricity compared with 355,608 MWh for the same period of 2011, with the entire decline resulting from the effect of the Dolbeau power station's closure on first quarter results compared with the same period of 2011, as well as from the scheduled production shutdown at the Senneterre power station in the second and third quarters under the agreement with Hydro-Québec. For the two natural gas cogeneration power stations, electricity and steam output declined by 2.1% and 2.7%, respectively.

Cumulative segment revenues totalled $43.7 million compared with $51.4 million for the same period last year. The $7.7 million decline stems primarily from the closure of the Dolbeau power station and the scheduled production shutdowns at the Senneterre power station. Revenues at the natural gas cogeneration power stations were up slightly, despite the unfavourable Canadian dollar/euro exchange rate effect, primarily due to higher selling prices for steam and electricity.

Year-to-date EBITDA amounted to $12.0 million compared with $16.5 million for the first nine months of 2011. This $4.5 million decline is largely attributable to the 28.0% decline in EBITDA at the Kingsey Falls cogeneration power station stemming mainly from the expiry of its previous natural gas supply contract, higher maintenance costs caused by equipment failure and an unfavourable volume effect over the entire period. EBITDA at the Blendecques cogeneration power station also dipped slightly owing primarily to currency fluctuations and the non-recurrence of certain favourable items recorded in 2011. On the upside, the two power stations benefited from a favourable price effect of over $2.0 million mainly attributable to steam selling prices.

Operating results at the wood-residue power stations declined by approximately $0.7 million, due in particular to the lower capacity premiums at the Senneterre power station in the first quarter and higher fuel costs. However, the impact of lower output was offset by the provisions of its agreement with Hydro-Québec. Also, the sale of the Dolbeau power station generated savings of $0.5 million over the entire period.

Outlook

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

Canada

Since the power sales contract between the Kingsey Falls natural gas power station and Hydro-Québec expires on November 30, 2012, cogeneration operations at this facility will be shut down as at this date. However, Boralex will keep the existing equipment with a view to capitalizing on future business opportunities. Moreover, negotiations are underway to reach an agreement that will allow Boralex to continue to operate the steam production equipment to serve Cascades, the industrial client. For information purposes, the Kingsey Falls power station generated EBITDA of $8.9 million for the nine-month period ended September 30, 2012. According to Boralex management, the shortfall in consolidated results for fiscal 2013 owing to the shutdown of power generation at Kingsey Falls will be more than offset by the wind power segment's expansion over the medium term.

Also, the agreement entered into between Hydro-Québec and Boralex will see the Senneterre wood-residue power station in Québec operate only six months a year in 2013, as in 2012. In light of the terms of the agreement, however, Boralex does not expect the power station's results to be significantly affected, provided the facility operates at its projected level. One of Boralex's primary objectives for the coming quarters will be to further improve the power station's profitability.

France

Since 2005, market conditions have prompted the Blendecques natural gas cogeneration power station to operate its cogeneration equipment for the five-month winter period only, from November 1 to March 31. The Blendecques facility provides a steady stream of profit and cash flows for Boralex, particularly given that fluctuations in selling prices are generally offset by opposite fluctuations in raw material costs.

Since the Blendecques power station's current power sales contract expires in November 2013, Boralex has developed an equipment upgrade and performance improvement plan for the facility, and EDF has agreed to award a new power sales contract for an additional term of 12 years. The plan has also won support from the power station's industrial purchaser of steam. Upgrading the power station will require investments of approximately €6 million ($7.6 million at the current exchange rate) between November 2012 and October 2013 with commissioning slated for November 1, 2013.

Solar Power Station

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

	Three-month period ended		Nine-month period ended	
(in thousands of Canadian dollars)	Revenues from energy sales	EBITDA	Revenues from energy sales	EBITDA
SEPTEMBER 30, 2011	887	810	1,011	931
Power station commissioned	-	-	1,111	951
Pricing	8	8	9	9
Volume	47	47	227	227
Translation of self-sustaining subsidiaries (exchange rate effect)	(90)	(82)	(100)	(92)
Other	-	(13)	-	(38)
SEPTEMBER 30, 2012	852	770	2,258	1,988

Operating Results for the Three- and Nine-Month Periods

Commissioned in mid-June 2011, Boralex's first solar power station contributed fully to third quarter results in fiscal 2012 and 2011. Although it also contributed fully to the nine-month period ended September 30, 2012, the power station's contribution for the same period of fiscal 2011 covered only 3.5 months.

For the three-month period ended September 30, 2012, the facility continued to meet management's expectations by generating EBITDA of $0.8 million with a profit margin of 90.4% of revenues. Excluding the unfavourable $0.1 million impact from the euro's weakening against the Canadian dollar, the power station's revenues and EBITDA grew 6.2% and 5.2%, respectively, over the previous year, mainly driven by a 5.9% increase in output to 2,056 MWh.

For the first nine months of fiscal 2012, the solar power station generated 5,325 MWh of electricity compared with 2,210 MWh for the 3.5-month period ended September 30, 2011. Cumulative EBITDA and revenues amounted to $2.0 million and $2.3 million, respectively, for an EBITDA margin of 88.0%.

For information purposes, for the full 12-month period ended September 30, 2012, Boralex's first solar power station generated an output of 6,342 MWh with revenues of $2.7 million and an EBITDA of $2.4 million, representing a margin of 87.6%.

Management believes that the productivity and profitability recorded to date reflects the intrinsic quality of this first solar project with regard to the choice of technology, location and contractual benefits, as well as the growing expertise of Boralex's team.

Outlook

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

Solar power is a growth industry with market rules and government directions to be worked out in the years to come. Boralex believes this clean and abundant source of renewable energy has great potential, particularly as performance is gradually improved through technological breakthroughs, thereby lowering the cost of equipment. In addition to the European market, more specifically France where Boralex has built a skilled team devoted to solar project development, the Corporation looks to the Ontario market with special interest. This province might be a good fit for Boralex to tap into this niche in Canada.

Cash Flows

(in thousands of Canadian dollars)	Nine-month periods ended September 30 2012	2011
Net cash flows related to operating activities	50,829	61,599
Net cash flows related to investing activities	(40,786)	(23,962)
Net cash flows related to financing activities	(5,762)	(9,869)
Cash from discontinued operations	(6,404)	11,061
Translation adjustment on cash and cash equivalents	(2,085)	1,589
NET CHANGE IN CASH AND CASH EQUIVALENTS	(4,208)	40,418

Operating Activities

During the first nine months of fiscal 2012, Boralex reported $33.7 million or $0.89 per share in cash flows from operations compared with $36.6 million or $0.97 per share for the same period of fiscal 2011. Excluding non-cash items from net loss for the two comparative periods, this decrease resulted primarily from a $2.6 million decline in EBITDA and a $2.9 million change in foreign exchange loss (gain), partially offset by decreases in interest and income taxes paid of $0.7 million and $1.9 million, respectively.

The change in non-cash items related to operating activities generated additional cash amounting to $17.1 million ($25.0 million for the same period of 2011), arising primarily from a $17.5 million decrease in *Trade and other receivables*. These changes were particularly attributable to the Corporation's seasonal business cycle, invoicing without VAT in Europe since January 1, 2012 and timing differences between receipts and outlays. However, those items were partially offset by a $3.2 million increase in *Trade and other payables* stemming primarily from a €3.9 million financial liability accounted for at the time of a business combination in connection with acquisitions in France.

Accordingly, operating activities generated cash flows totalling $50.8 million year to date compared with $61.6 million for the first nine months of fiscal 2011.

Investing Activities

For the nine-month period ended September 30, 2012, investing activities required cash outflows of $40.8 million, net of $26.9 million in cash inflows consisting mainly of an $18.1 million change in restricted cash and $8.8 million in proceeds from sale of assets, mainly in relation to the sale of the Dolbeau thermal power station, a wind power project under development in Italy and the assets of a U.S. wood-residue power station.

The main investments for the period were as follows:

- $39.1 million (€30.3 million) in cash for the June 28, 2012 acquisition of a 34.5 MW wind farm in operation and three wind power projects under development totalling 56 MW in France;
- An additional capital injection of $17.7 million into the Joint Venture tasked with developing phase 1 of the Seigneurie de Beaupré Wind Farms;
- $5.5 million for various additions to property, plant and equipment, including $2.0 million in the wind power segment, primarily in France, $1.4 million in the hydroelectric power segment, $0.7 million for the solar power station with remainder allocated to the thermal power and corporate segments;
- $3.2 million for various development projects in Québec and a 32 MW wind power project in France; and
- A $2.1 million investment in other intangible assets, primarily for the implementation of a financial information system.

Financing Activities

For the nine-month period ended September 30, 2012, financing activities required net cash outflows totalling $5.8 million, including a $24.0 million repayment by the Corporation of existing non-current debt, of which $18.7 million was related to its debt in France. In connection with acquisitions made in June 2012, Boralex's European partner Cube made a capital injection of $17.7 million (€13.7 million), thereby meeting its initial financial commitment ahead of the December 2012 deadline. On completion of those acquisitions, Cube's interest in Boralex Europe S.A. stood at 25.33%.

Discontinued Operations

For the nine-month period ended September 30, 2012, discontinued operations required cash outflows of $6.4 million, triggered mainly by the taxes on Boralex's December 2011 transaction to dispose of its U.S. wood-residue power stations and REC sales. For the corresponding period ended September 30, 2011, discontinued operations generated cash inflows of $11.1 million from ongoing operations and thermal power station REC sales.

Net Change in Cash and Cash Equivalents

In light of the foregoing, total changes in cash flows for the nine-month period ended September 30, 2012 resulted in a $4.2 million decrease in the balance of cash and cash equivalents. Cash and cash equivalents totalled $140.5 million as at September 30, 2012 compared with $144.7 million as at December 31, 2011.

TO SUM UP,

apart from maintaining its capacity to generate cash flows from operations, Boralex's cash flows for the first nine months of fiscal 2012 point to its skill in redeploying cash from operations and strategic sales of assets over the past few quarters to make promising acquisitions in target niches, despite production levels below historical averages for the hydroelectric power segment. With its year-to-date acquisitions under that strategy, Boralex has added about 195 MW in fully contracted wind and hydroelectric power capacity, of which 35 MW are in operation in France, with a further 160 MW to be commissioned commercially in under a year. This new expansion is part of the Corporation's vision of long-term value creation, predicated on developing an asset base that generates high profit margins and growing and predictable cash flows. The return on this strategy, adopted by Boralex back in 2009, is clearly apparent from the significant and steady cash flows from operations generated, which are conducive to a solid cash position and a robust capital structure.

Financial Position

Summary of Significant Changes

Excluding foreign exchange movements and the Corporation's seasonal operating cycle, Boralex's change in financial position from December 31, 2011 to September 30, 2012 primarily reflects acquisitions in the wind power segment in France late in June 2012 and ongoing development at the Seigneurie de Beaupré wind power projects in Québec.

The following table shows the final purchase price allocation:

	Preliminary allocation		Final allocation	
	(in thousands of $)	(in thousands of €)	(in thousands of $)	(in thousands of €)
Current assets	6,888	5,343	6,888	5,343
Property, plant and equipment	64,108	49,727	64,108	49,727
Energy sales contracts	44,877	34,810	7,769	6,026
Goodwill	-	-	8,613	6,681
Other intangible assets	-	-	24,189	18,763
Current liabilities	(2,581)	(2,002)	(2,581)	(2,002)
Financial liability	(5,027)	(3,900)	(5,027)	(3,900)
Non-current debt	(47,610)	(36,930)	(47,610)	(36,930)
Deferred income tax liability	(12,918)	(10,020)	(8,612)	(6,680)
Other non-current financial liabilities	(3,904)	(3,028)	(3,904)	(3,028)
Net assets	43,833	34,000	43,833	34,000
Less:				
Cash and cash equivalents of acquired businesses	4,753	3,687	4,753	3,687
	39,080	30,313	39,080	30,313

Assets

Boralex's total assets as at September 30, 2012 were up $15.0 million since the beginning of fiscal 2012, totalling $1,191.9 million as at September 30, 2012, compared with $1,176.9 million as at December 31, 2011. Non-current assets were up $59.6 million due to the June 28, 2012 acquisitions in the wind power segment in France and the additional investment by Boralex in the Joint Venture. Current assets as at September 30, 2012 were down a net amount of $44.5 million. In addition to the utilization of a large portion of the restricted cash earmarked for the Seigneurie de Beaupré wind power projects and to the sale of the Resolute shares, the decline in assets was caused primarily by the change in *Trade and other receivables* as a result, in particular, of the effect of the Corporation's normal seasonal business cycle whereby the third quarter is often the weakest for the wind and hydroelectric power segments.

Working Capital

As at September 30, 2012, the Corporation's working capital amounted to $13.1 million with a ratio of 1.08:1 compared with $120.0 million and a ratio of 2.18:1 as at December 31, 2011. Excluding the Corporation's seasonable business cycle effect and the utilization of a large portion of the restricted cash earmarked for the Seigneurie de Beaupré wind power projects, this decline resulted from the reclassification of a $72.9 million U.S. note from debt to the *Current portion of debt* in light of its August 2013 maturity. The Corporation is currently in talks with various lenders to replace this note with new long-term facilities in an amount equal to or greater than the current balance.

Total Debt and Equity

As at September 30, 2012, the Corporation's total debt, consisting of non-current debt and the current portion thereof, and the liability component of convertible debentures, rose to $742.9 million from $729.5 million as at December 31, 2011 as a result of new debt contracted in connection with the June 28, 2012 acquisitions in France, net of repayments on existing debt over the nine-month period. Accordingly, as at September 30, 2012, 43% of the Corporation's non-current debt was in France and 14% in the U.S., compared with 40% and 15%, respectively, as at December 31, 2011.

Net debt, as defined under *Non-IFRS measures*, amounted to $384.4 million as at September 30, 2012 compared with $369.8 million as at December 31, 2011. Total equity as at September 30, 2012 amounted to $330.0 million, up $1.1 million from $328.9 million as at December 31, 2011. The effect of the additional capital subscription by the Cube, the Corporation's European partner, in connection with the June 2012 wind power acquisitions in France, partially offset by the change in *Other comprehensive loss*.

As a result, the net debt ratio, as defined under *Non-IFRS measures*, stood at 40.7% as at September 30, 2012 compared with 39.8% as at December 31, 2011.

Information about the Corporation's Equity Instruments

As at September 30, 2012, Boralex's capital stock consisted of 37,731,447 Class A shares issued and outstanding (37,726,427 as at December 31, 2011) and stock options outstanding numbered 1,978,023, of which 1,126,335 were exercisable. During the first nine months of fiscal 2012, 5,920 shares were issued in connection with the conversion of 740 debentures, and 900 shares were repurchased. As at September 30, 2012, Boralex had 2,447,918 issued and outstanding convertible debentures (2,448,658 as at December 31, 2010).

No new shares were issued from October 1, 2012 to November 6, 2012 on exercise of stock options and no new shares were issued in connection with a debenture conversion. In addition, Boralex did not repurchase any Class A shares from October 1, 2012 to November 6, 2012 under its issuer bid.

Related Party Transactions

The Corporation has entered into a management agreement with an entity controlled by Bernard Lemaire, one of Boralex's directors and officers, and his family. For the nine-month period ended September 30, 2012, revenues derived from the agreement amounted to $0.4 million ($0.5 million for the corresponding period of 2011).

The Kingsey Falls natural gas thermal power station has a steam sales contract with Cascades, a company having significant influence on the Corporation. For the nine-month period ended September 30, 2012, revenues from Cascades amounted $14.7 million ($13.8 million for the corresponding period of 2011). This contract expires on November 30, 2012.

Transactions with the Joint Venture

In June 2011, in connection with phase 1 of the Seigneurie de Beaupré Wind Farms, the Corporation entered into a partnership agreement with a subsidiary of Gaz Métro L.P. and created the Joint Venture of which each party owns 50%. During the nine-month period ended September 30, 2012, the Corporation's share in the Joint Venture's results amounted to a $0.1 million pre-tax gain. In addition, Boralex charged back $1.2 million in salaries to the Joint Venture in connection with construction of the wind farm.

Outlook and Development Objectives

The Boralex management team is confident in the Corporation's financial prospects for fiscal 2013, particularly in light of the full contribution of the St-Patrick wind power site and the gradual commissioning of the an additional 88 MW of wind power capacity in France in the second half of 2013. The new assets' contribution will readily offset the shutdown of power production at the Kingsey Falls thermal power station, whose performance, incidentally, has been affected for several quarters by its natural gas supply costs.

To support execution of its various development projects, Boralex has a solid statement of financial position, including an enviable cash position of $140.7 million as at September 30, 2012. At present, the Corporation's net share in the various development projects, all of which are covered by long-term contracts, amounts to 356 MW. Starting with an asset base in operation (excluding the Kingsey Falls power station) that currently totals 476 MW of 96% contracted capacity, Boralex will head into 2016 with an asset base in operation of 831 MW of 98% contracted capacity, excluding the share of its partners. Furthermore, with the new 12-year power sales contract that will be entered into in November 2013 between the Blendecques, France thermal power station and EDF following upgrades at the facility, Boralex will continue to benefit from a long-term, stable and predictable contribution from this production unit, which has generated an average $3 million in EBITDA in each of the past few years.

Boralex will also continue seeking acquisition projects in Canada and France, primarily targeting renewable energy assets in operation or advanced stages of development, provided they are all covered by long-term power sales contracts, to generate steady and predictable cash flows for the Corporation.

In light of the foregoing, the Boralex management team believes it could double its current EBITDA by 2016.

With constant focus on technology developments and an eye trained on the North American market and key European countries, Boralex is targeting the following market and geographic segments, considered fertile ground for developing renewable energy infrastructure:

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

Boralex believes its solid presence in those markets is conducive to further expansion and that current business conditions are ripe for further strategic growth through acquisitions, especially in light of the financing options available and the quality and attractive price of wind turbines on offer. In addition, a number of energy asset developers and operators continue to shed assets under pressure from the current global economic slump. Boralex intends to continue focusing on just such opportunities.

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

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

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

TO SUM UP,

Boralex intends to further burnish its credentials as renewable energy developer and operator with strong operational and earnings growth. To meet its growth goals, Boralex will remain a solid and innovative growth company, driven by clear objectives and a long-term vision for its sources of production, its target markets and its approach to project development.

Financial Instruments

Foreign Exchange Risk

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

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

Price Risk

To stabilize natural gas supply costs, the Corporation entered into a commodity swap contract to cover 90% of the Kingsey Falls power station's natural gas needs from November 1, 2011 through November 30, 2012. This agreement covers the commodity price of the natural gas molecule and its delivery. As at September 30, 2012, the unfavourable fair value of this contract amounted to $1.1 million.

To partially stabilize the selling price of steam produced by the Kingsey Falls power station, the Corporation entered into a hedge contract to fix the selling price index on 50% of the steam sold to its client. This contract covers a two-year period, from December 1, 2010 to November 30, 2012. As at September 30, 2012, the unfavourable fair value of this contract amounted to $0.2 million.

All of these contracts qualify for hedge accounting.

Interest Rate Risk

As at September 30, 2012, approximately 39% of non-current debt issued bears interest at variable rates. A sharp increase in interest rates in the future could affect the liquid assets available for the Corporation's development projects. However, since the Corporation uses interest rate swaps, its exposure to interest rate fluctuations is reduced to only 3% of total debt. As at September 30, 2012, the nominal balance of these swaps stood at $310.0 million (€146.4 million and $125.0 million) while their unfavourable fair value was $47.5 million (€17.3 million and $25.7 million).

The Corporation does not plan to sell these instruments, since they were entered into to reduce the Corporation's risk related to interest rate fluctuations. Therefore, the fact that fair value is unfavourable only indicates that forward interest rates have fallen and has no bearing on the effectiveness of the instrument as part of the Corporation's risk management strategy.

All of these contracts qualify for hedge accounting.

Commitments and Contingencies

Commitments and contingencies are discussed in Boralex's annual MD&A for the fiscal year ended December 31, 2011.

Commitments

Energy Sales Contracts

For the St-Patrick wind power station in France, the Corporation is committed to selling 100% of its power output under long-term contracts maturing in 2024 and 2025. The contracts provide for annual indexation to indices relating to hourly wage costs and industry activity levels.

Operating Leases for Land

	Payments			
	Current portion	1 to 5 years	Over 5 years	**Total**
Land leases	$0.1 M	$0.7 M	$1.7 M	$2.5 M

The land on which the St-Patrick wind power station is located in France is leased under leases over a lease term of 40 years. Payments under these leases are due annually and are indexed each year, based on the Consumer Price Index and the Construction Cost Index published by the National Institute of Statistics and Economic Studies (INSEE) and represent an annual commitment of $0.1 million (€0.1 million).

Equipment Purchase Agreement

The Corporation has entered an equipment purchase agreement in connection with a wind power development project acquired in France. The total cost of the net commitment is $12.6 million, which represents €10 million.

Risk Factors and Uncertainty

Risk Factors

Boralex has not observed any significant changes regarding the risks to which it is subject, and which are discussed under *Risk Factors and Uncertainty* in Boralex's annual MD&A for the year ended December 31, 2011.

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

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. These estimates are reviewed periodically and any required adjustments are reported in the statement of earnings for the period in which they become known. Items for which actual results may differ materially from these estimates are discussed in the audited annual consolidated financial statements of the Corporation for the year ended December 31, 2011.

Internal Controls and Procedures

In accordance with National Instrument 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings*, disclosure controls and procedures have been designed to provide reasonable assurance that the information that must be presented in Boralex's interim and annual reports is accumulated and communicated to management on a timely basis, including the Chief Executive Officer and the Chief Financial Officer, so that appropriate decisions can be made regarding disclosure. Internal control over financial reporting has also been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS.

The Chief Executive Officer and the Chief Financial Officer have evaluated the effectiveness of Boralex's disclosure controls and procedures as of December 31, 2011, as well as the effectiveness of Boralex's internal control over financial reporting as of the same date and have concluded that they are adequate and effective.

During the third quarter ended September 30, 2012, no changes were made to internal control over financial reporting or disclosure controls and procedures that have materially affected, or are reasonably likely to materially affect, internal controls and procedures.

Subsequent Event

On October 25, 2012, Boralex completed the acquisition of a 22 MW run-of-river hydroelectric power station project in British Colombia. Construction on the project began a few months ago and its commercial commissioning is slated for late 2013. The project is covered by a 40-year power sales contract with BC Hydro and has a 20-year renewal option.

Consolidated Financial Statements

Consolidated Statements of Financial Position

(in thousands of Canadian dollars) (unaudited)	Note	As at September 30, 2012	As at December 31, 2011
ASSETS			
Cash and cash equivalents		140,495	144,703
Restricted cash		207	18,288
Trade and other receivables		27,807	50,500
Inventories		4,109	3,573
Available-for-sale financial asset		972	2,208
Prepaid expenses		3,316	2,137
CURRENT ASSETS		176,906	221,409
Property, plant and equipment		655,856	643,047
Energy sales contracts		98,975	97,705
Water rights		109,685	111,844
Goodwill		46,504	38,063
Other intangible assets		33,957	5,285
Interest in the Joint Venture	5	57,200	45,266
Other non-current assets		12,864	14,236
NON-CURRENT ASSETS		1,015,041	955,446
TOTAL ASSETS		1,191,947	1,176,855
LIABILITIES			
Trade and other payables		37,440	34,209
Current portion of debt	6	98,570	26,659
Current income tax liability		813	10,776
Other current financial liabilities	16	26,997	29,757
CURRENT LIABILITIES		163,820	101,401
Non-current debt	6	418,823	479,525
Convertible debentures	7	225,491	223,347
Deferred income tax liability		27,210	26,031
Other non-current financial liabilities	16	21,847	14,273
Other non-current liabilities		4,723	3,400
NON-CURRENT LIABILITIES		698,094	746,576
TOTAL LIABILITIES		861,914	847,977
EQUITY			
Capital stock		222,827	222,758
Equity component of convertible debentures		14,379	14,379
Contributed surplus		6,682	6,106
Retained earnings		143,245	144,501
Accumulated other comprehensive loss		(74,082)	(65,980)
Equity attributable to shareholders		313,051	321,764
Non-controlling interests		16,982	7,114
TOTAL EQUITY		330,033	328,878
TOTAL LIABILITIES AND EQUITY		1,191,947	1,176,855

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

Consolidated Statements of Loss

(in thousands of Canadian dollars, except per share amounts) (unaudited)	Note	Three-month periods ended September 30 2012	2011	Nine-month periods ended September 30 2012	2011
REVENUES					
Revenues from energy sales		33,021	36,198	129,377	137,533
Other income		130	189	452	513
		33,151	36,387	129,829	138,046
COSTS AND OTHER EXPENSES					
Operating expenses	10	12,595	15,115	47,667	53,172
Administrative		3,739	3,529	11,522	11,695
Development		594	1,055	2,230	2,724
Amortization		15,119	14,214	43,009	43,250
Other losses (gains)	11	971	(582)	971	(2,959)
Impairment of property, plant and equipment and intangible assets	12	-	6,503	823	6,503
		33,018	39,834	106,222	114,385
OPERATING INCOME (LOSS)		133	(3,447)	23,607	23,661
Financing costs	13	12,440	12,537	36,639	37,024
Foreign exchange loss (gain)		(25)	(5,393)	106	(3,346)
Net loss on financial instruments		14	68	499	474
LOSS BEFORE THE FOLLOWING ITEMS		(12,296)	(10,659)	(13,637)	(10,491)
Share in earnings of the Joint Venture		(3)	-	(20)	-
Income tax recovery		(3,494)	(4,011)	(3,456)	(3,588)
NET LOSS FROM CONTINUING OPERATIONS		(8,799)	(6,648)	(10,161)	(6,903)
Net earnings (loss) from discontinued operations	14	566	(893)	3,025	838
NET LOSS		(8,233)	(7,541)	(7,136)	(6,065)
NET LOSS ATTRIBUTABLE TO:					
Shareholders of Boralex		(7,601)	(7,208)	(6,353)	(5,304)
Non-controlling shareholders		(632)	(333)	(783)	(761)
NET LOSS		(8,233)	(7,541)	(7,136)	(6,065)
NET EARNINGS (LOSS) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX:					
Continuing operations		(8,167)	(6,315)	(9,378)	(6,142)
Discontinued operations		566	(893)	3,025	838
		(7,601)	(7,208)	(6,353)	(5,304)
BASIC NET EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX:					
Continuing operations		$(0.22)	$(0.17)	$(0.25)	$(0.16)
Discontinued operations		$0.02	$(0.02)	$0.08	$0.02
	15	$(0.20)	$(0.19)	$(0.17)	$(0.14)
DILUTED NET EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX:					
Continuing operations		$(0.22)	$(0.17)	$(0.25)	$(0.16)
Discontinued operations		$0.02	$(0.02)	$0.08	$0.02
	15	$(0.20)	$(0.19)	$(0.17)	$(0.14)

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

Statements of Comprehensive Loss

(in thousands of Canadian dollars) (unaudited)	Note	Three-month periods ended September 30 2012	Three-month periods ended September 30 2011	Nine-month periods ended September 30 2012	Nine-month periods ended September 30 2011
NET LOSS		(8,233)	(7,541)	(7,136)	(6,065)
OTHER COMPREHENSIVE INCOME (LOSS)	8				
Translation differences					
Unrealized foreign exchange gain (loss) on translation of financial statements of self-sustaining foreign operations		(4,878)	9,562	(5,929)	9,586
Cash flow hedges					
Change in fair value of financial instruments		(4,618)	(30,998)	(13,460)	(39,903)
Hedging items realized and recognized in net loss		3,794	1,204	11,620	3,818
Hedging items realized and recognized in statement of financial position		-	-	-	198
Taxes		268	9,083	840	11,008
Cash flow hedges – Joint Venture					
Change in fair value of financial instruments		(2,545)	-	(5,895)	-
Taxes		677	-	1,568	-
Available-for-sale financial asset					
Change in fair value of an available-for-sale financial asset		182	(571)	(269)	(147)
Items realized and recognized in net loss		968	-	968	(624)
Discontinued operations		-	(99)	-	(2,120)
Total other comprehensive loss		(6,152)	(11,819)	(10,557)	(18,184)
COMPREHENSIVE LOSS		(14,385)	(19,360)	(17,693)	(24,249)
COMPREHENSIVE LOSS ATTRIBUTABLE TO:					
Shareholders of Boralex		(13,040)	(18,101)	(15,633)	(23,413)
Non-controlling shareholders		(1,345)	(1,259)	(2,060)	(836)
COMPREHENSIVE LOSS		(14,385)	(19,360)	(17,693)	(24,249)
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX:					
Continuing operations		(13,606)	(17,109)	(18,658)	(22,131)
Discontinued operations		566	(992)	3,025	(1,282)
		(13,040)	(18,101)	(15,633)	(23,413)

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

Consolidated Statements of Changes in Equity

Nine-month period ended September 30

2012

(in thousands of Canadian dollars) (unaudited)	Equity attributable to shareholders: Capital stock	Equity component of convertible debentures	Contributed surplus	Retained earnings	Other comprehensive loss (note 8)	Total	Non-controlling interests	Total equity
Balance as at January 1, 2012	222,758	14,379	6,106	144,501	(65,980)	321,764	7,114	328,878
Net loss	-	-	-	(6,353)	-	(6,353)	(783)	(7,136)
Other comprehensive loss	-	-	-	-	(9,280)	(9,280)	(1,277)	(10,557)
Comprehensive loss	-	-	-	(6,353)	(9,280)	(15,633)	(2,060)	(17,693)
Conversion of convertible debentures	74	-	-	-	-	74	-	74
Stock option expense	-	-	576	-	-	576	-	576
Share repurchases	(5)	-	-	(2)	-	(7)	-	(7)
Excess of proceeds from partial sale of a subsidiary (note 9)	-	-	-	5,099	1,178	6,277	(6,277)	-
Contribution of non-controlling shareholders (note 9)	-	-	-	-	-	-	18,205	18,205
Balance as at September 30, 2012	222,827	14,379	6,682	143,245	(74,082)	313,051	16,982	330,033

Nine-month period ended September 30

2011

(in thousands of Canadian dollars) (unaudited)	Equity attributable to shareholders: Capital stock	Equity component of convertible debentures	Contributed surplus	Retained earnings	Other comprehensive loss (note 8)	Total	Non-controlling interests	Total equity
Balance as at January 1, 2011	222,853	14,488	5,028	141,693	(24,705)	359,357	8,332	367,689
Net loss	-	-	-	(5,304)	-	(5,304)	(761)	(6,065)
Other comprehensive loss	-	-	-	-	(18,109)	(18,109)	(75)	(18,184)
Comprehensive loss	-	-	-	(5,304)	(18,109)	(23,413)	(836)	(24,249)
Conversion of convertible debentures	250	-	-	-	-	250	-	250
Share repurchases	(352)	-	-	(75)	-	(427)	-	(427)
Stock option expense	-	-	850	-	-	850	-	850
Other	-	(109)	-	-	-	(109)	-	(109)
Balance as at September 30, 2011	222,751	14,379	5,878	136,314	(42,814)	336,508	7,496	344,004

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

Consolidated Statements of Cash Flows

(in thousands of Canadian dollars) (unaudited)	Note	Nine-month periods ended September 30 2012	2011
Net loss attributable to shareholders of Boralex		(6,353)	(5,304)
Less: Net earnings from discontinued operations		3,025	838
Net loss from continuing operations attributable to shareholders of Boralex		(9,378)	(6,142)
Financing costs		36,639	37,024
Interest paid		(33,091)	(33,776)
Income tax recovery		(3,456)	(3,588)
Income taxes paid		(2,369)	(4,298)
Non-cash items in loss:			
Unrealized foreign exchange loss on intercompany advances		-	(1,324)
Amortization		43,009	43,250
Loss (gain) on sale of assets	11	971	(2,377)
Gain on sale of assets to the Joint Venture	11	-	(582)
Impairment of property, plant and equipment and intangible assets	12	823	6,503
Net loss on financial instruments		499	474
Share in earnings of the Joint Venture		(20)	-
Other		63	1,462
		33,690	36,626
Change in non-cash items related to operating activities		17,139	24,973
NET CASH FLOWS RELATED TO OPERATING ACTIVITIES		50,829	61,599
Business acquisitions	4	(39,080)	(700)
Additions to property, plant and equipment		(5,533)	(28,902)
Additions to other intangible assets		(2,148)	-
Change in restricted cash		18,081	14,647
Increase in interest in the Joint Venture	5	(17,735)	(10,376)
Development projects		(3,244)	(1,181)
Proceeds from sale of assets	11	8,763	2,050
Other		110	500
NET CASH FLOWS RELATED TO INVESTING ACTIVITIES		(40,786)	(23,962)
Decrease in bank loans and overdraft		-	(201)
Net increase in non-current debt		-	33,186
Repayments on non-current debt		(23,966)	(42,427)
Contribution of non-controlling interests	9	18,206	-
Other		(2)	(427)
NET CASH FLOWS RELATED TO FINANCING ACTIVITIES		(5,762)	(9,869)
Cash related to discontinued operations	14	(6,404)	11,061
TRANSLATION ADJUSTMENT ON CASH AND CASH EQUIVALENTS		(2,085)	1,589
NET CHANGE IN CASH AND CASH EQUIVALENTS		(4,208)	40,418
CASH AND CASH EQUIVALENTS – BEGINNING OF PERIOD		144,703	92,650
CASH AND CASH EQUIVALENTS – END OF PERIOD		140,495	133,068

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

Notes to Consolidated Financial Statements

As at September 30, 2012

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

Note 1.

Incorporation and Nature of Business

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

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

*(*The data expressed in MW and MWh contained in notes 1, 4, 14, 17, 18 and 19 have not been reviewed by the auditor.)*

Note 2.

Basis of Presentation

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as published by the International Accounting Standards Board ("IASB"), including International Accounting Standards ("IAS") and the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") applicable to the preparation of interim financial statements, and IAS 34, *Interim Financial Reporting*. The accounting policies followed in the unaudited interim condensed consolidated financial statements are the same as those applied in the audited annual consolidated financial statements of the Corporation for the year ended December 31, 2011, except for income taxes for the interim periods, which were calculated using the tax rate that would be applicable to expected earnings (loss) for each jurisdiction. The Corporation has consistently applied the same accounting policies for all of the periods presented. As permitted under IAS 34, these interim financial statements do not constitute a complete set of financial statements, as the Corporation does not present all the notes to financial statements included in its annual report. To avoid repetition of previously reported information, the Corporation deemed it unnecessary to include such information and, therefore, readers should be aware that these financial statements constitute a condensed set of financial statements under IAS 34. The unaudited interim condensed consolidated financial statements should be read in conjunction with the Corporation's audited annual consolidated financial statements for the year ended December 31, 2011.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Corporation's accounting policies. These areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in the Corporation's audited annual consolidated financial statements for the year ended December 31, 2011.

The Board of Directors approved these financial statements on November 6, 2012.

Note 3.

Future Changes in Accounting Policies

IFRS 7, *Financial Instruments: Disclosures* (Revised 2011)
IAS 32, *Financial Instruments: Presentation* (Revised 2011)

In December 2011, the IASB issued a revised version of IFRS 7, *Financial Instruments: Disclosures*, to include requirements to disclose data on a gross and net settlement basis for financial instruments that qualify for offset in the statement of financial position and financial instruments subject to master netting arrangements. The revised IFRS 7 will be effective for the fiscal years of the Corporation beginning on or after January 1, 2013, with earlier adoption permitted. Concurrent with the revisions to IFRS 7, the IASB also issued a revised version of IAS 32, *Financial Instruments: Presentation*, to clarify the existing requirements for offsetting financial instruments in the statement of financial position. The revised IAS 32 will be effective for the fiscal years of the Corporation beginning on or after January 1, 2014, with earlier adoption permitted. The Corporation has not yet assessed the impact of adopting these standards on its consolidated financial statements.

Note 4.

Business Combination

On June 28, 2012, Boralex announced that it had completed a series of transactions to acquire 100% of the shares of an entity and its subsidiary owning a 34.5 MW* wind farm in operation (the "St-Patrick" wind farm) through the Corporation's subsidiary Boralex Europe S.A., as well as 100% of the shares of three corporations owning three fully authorized wind projects totalling 56 MW* of capacity (the "Development Projects"), all for an aggregate cash consideration of $39,080,000 (€30,313,000), net of the cash and cash equivalents of the acquired businesses. These corporations were acquired under Boralex's growth strategy through acquisitions aimed at expanding its market share in France.

The acquisition was accounted for by the Corporation using the acquisition method set out in IFRS 3, *Business Combinations*. The statement of financial position and the results of this acquisition are consolidated as of June 28, 2012.

The following table shows the final purchase price allocation:

	Preliminary allocation		Final allocation	
	(in thousands of $)	(in thousands of €)	(in thousands of $)	(in thousands of €)
Current assets	6,888	5,343	6,888	5,343
Property, plant and equipment	64,108	49,727	64,108	49,727
Energy sales contracts	44,877	34,810	7,769	6,026
Goodwill	-	-	8,613	6,681
Other intangible assets	-	-	24,189	18,763
Current liabilities	(2,581)	(2,002)	(2,581)	(2,002)
Financial liability	(5,027)	(3,900)	(5,027)	(3,900)
Non-current debt	(47,610)	(36,930)	(47,610)	(36,930)
Deferred income tax liability	(12,918)	(10,020)	(8,612)	(6,680)
Other non-current financial liabilities	(3,904)	(3,028)	(3,904)	(3,028)
Net assets	43,833	34,000	43,833	34,000
Less:				
Cash and cash equivalents of acquired businesses	4,753	3,687	4,753	3,687
	39,080	30,313	39,080	30,313

The *Trade and other receivables* acquired at the time of the transaction have a fair value of $1,762,000 (€1,367,000) and had all been received as at September 30, 2012.

Goodwill represents the potential renewal of energy sales contracts for St-Patrick and three wind power projects under development, and is not deductible for tax purposes. Goodwill was attributed to the cash generating unit ("CGU") consisting of St-Patrick and the three wind power projects under development.

The final purchase price allocation was determined primarily using acquisition-date book value, as well as a specific valuation of the fair value of energy sales contracts, financial instruments and the deferred income tax liability.

Since the acquisition date, the acquired businesses have contributed on an individual basis a total of $1,904,000 to revenues from energy sales and given rise to a net loss attributable to shareholders of Boralex of $1,000,000. Had the acquisition occurred on January 1, 2012, the equivalent of nine months of results of the acquired businesses would have been included in the consolidated results, and management estimates that revenues from energy sales and net loss attributable to shareholders of Boralex would have amounted to $134,545,000 and $5,928,000, respectively, for the nine-month period ended September 30, 2012. These estimates are based on the assumption that the fair value adjustments made on the acquisition date would have been the same had the acquisition occurred on January 1, 2012.

Commitments

Energy Sales Contracts

For the St-Patrick wind power station in France, the Corporation is committed to selling 100% of its power output under long-term contracts maturing in 2024 and 2025. The contracts provide for annual indexation to indices relating to hourly wage costs and industry activity levels.

Operating Leases for Land

	Payments			
	Current portion	1 to 5 years	Over 5 years	Total
Land leases	156	673	1,702	2,531

The land on which the St-Patrick wind power station is located in France is leased under leases over a lease term of 40 years. Payments under these leases are due annually and are indexed each year, based on the Consumer Price Index and the Construction Cost Index published by the National Institute of Statistics and Economic Studies (INSEE) and represent an annual commitment of $152,000 (€120,000).

Equipment Purchase Agreement

The Corporation has entered an equipment purchase agreement in connection with a wind power development project acquired in France. The total cost of the net commitment is $12,634,000, which represents €10,000,000.

Note 5.

Interest in the Joint Venture

In June 2011, in connection with the Seigneurie de Beaupré wind power 2 and 3 project, the Corporation entered into a partnership agreement with a subsidiary of Gaz Métro L.P. and created the joint venture Seigneurie de Beaupré Wind Farms 2 and 3, General Partnership (the "Joint Venture"), of which each party owns 50%. Under the agreement, all expenditures are made jointly and all earnings, costs, expenses, liabilities, obligations and risks resulting from the Joint Venture are shared jointly but not severally. The Corporation's interest in the Joint Venture is accounted for using the equity method. The Joint Venture's year-end date is December 31.

	Nine-month period ended September 30, 2012	Twelve-month period ended December 31, 2011
Balance – beginning of period	45,266	-
Capital contribution	-	6,012
Cash contribution	17,735	52,949
Share in earnings (loss)	65	(205)
Share in comprehensive loss	(5,895)	(13,461)
Other	29	(29)
Balance – end of period	57,200	45,266

The respective share of current assets, non-current assets, current liabilities, non-current liabilities and expenses pertaining to the interest in the Joint Venture is as follows:

	As at September 30, 2012	As at December 31, 2011
Current assets	11,002	8,260
Non-current assets	129,778	71,131
Total assets	140,780	79,391
Current liabilities	11,803	8,973
Non-current liabilities	71,777	25,123
Total liabilities	83,580	34,096
Net assets	57,200	45,295

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2012	2011	2012	2011
Total earnings for the period	5	-	65	-

Note 6.
Non-current Debt

	Note	Maturity	Rate[1]	As at September 30, 2012	As at December 31, 2011
Master agreement – wind farms (France)		2017-2022	5.02	155,100	175,075
Term loan payable – Nibas wind farm (France)		2016	5.00	5,214	6,350
Term loan payable – St-Patrick wind farm (France)	(a)	2024	3.14	46,658	-
Capital leases (France)		2012-2015	4.61	3,235	4,580
Term loan payable – Ocean Falls power station		2024	6.55	10,287	10,722
Term loan payable – Thames River wind farms		2031	7.05	175,057	179,628
Canadian senior secured note		2014	6.63	36,211	37,141
U.S. senior secured note	(b)	2013	6.23	72,925	76,597
Term loan payable – solar power station (France)		2025-2028	3.96	15,415	20,065
Other debts		-	-	4,805	4,915
				524,907	515,073
Current portion of debt				(98,570)	(26,659)
Borrowing cost, net of accumulated amortization				(7,514)	(8,889)
				418,823	479,525

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

(a) The St-Patrick wind farm's term loan payable was acquired at the time of the business combination. As at September 30, 2012, the loan amounted to €36,930,000. The remaining financing term is 12 years, and the loan matures on February 15, 2025. The Corporation makes semi-annual repayments of principal and interest. The variable interest rate for this financing is based on EURIBOR, plus a margin. The margin is 2.25% for the next two years, then 2.5% for the five subsequent years and, lastly, 3%. To reduce its exposure to rate movements, interest rate financial swaps have been entered into for a total notional amount of €27,801,000. Under these swaps, a fixed rate is provided for approximately 75% of total debt. At present, the variable interest rate is 2.61%, while the fixed rate is approximately 3.58%. The portion of debt hedged by the interest rate financial swaps will gradually fall from 75% to 68% from the third to the seventh year. Then, it will gradually decline over the five remaining years.

(b) This U.S. note matures on August 31, 2013. The Corporation is currently in talks with various lenders to replace this note with new long-term facilities in an amount equal to or greater than the current balance.

Note 7.
Convertible Debentures

	Nine-month period ended September 30, 2012	Twelve-month period ended December 31, 2011
Balance – beginning of period	223,347	220,824
Conversion of debentures	(74)	(258)
Amortization of convertible debenture issuance costs	392	464
Imputed interest on convertible debentures of 8.50%	1,826	2,317
Balance – end of period	225,491	223,347

As at September 30, 2012, Boralex had 2,447,918 issued and outstanding convertible debentures with a nominal value of $100 (2,448,658 as at December 31, 2011).

Note 8.
Other Comprehensive Loss

Nine-month period ended September 30

2012

		Cash flow hedges					
	Translation differences	Hedge – Interest rate	Hedge – Commodities	Hedge – Foreign currency	Cash flow hedges – Joint Venture	Available-for-sale financial asset	Total
Balance as at January 1, 2012	(9,636)	(40,501)	(4,032)	(300)	(9,882)	(1,629)	(65,980)
Change in fair value	(5,262)	(7,775)	(3,897)	-	(5,895)	(269)	(23,098)
Reclassification to net loss	-	2,975	8,299	346	-	968	12,588
Taxes	-	2,058	(1,172)	(46)	1,568	-	2,408
Balance as at September 30, 2012	(14,898)	(43,243)	(802)	-	(14,209)	(930)	(74,082)

Nine-month period ended September 30

2011

		Cash flow hedges					
	Translation differences	Hedge – Interest rate	Hedge – Commodities	Hedge – Foreign currency	Available-for-sale financial asset	Discontinued Operations	Total
Balance as at January 1, 2011	(14,533)	(9,853)	(828)	(785)	(727)	2,021	(24,705)
Change in fair value	9,661	(36,853)	(3,389)	339	(147)	(1,769)	(32,158)
Reclassification to net loss	-	3,092	831	(105)	(624)	(678)	2,516
Reclassification to statement of financial position	-	-	-	198	-	-	198
Taxes	-	10,312	772	(76)	-	327	11,335
Balance as at September 30, 2011	(4,872)	(33,302)	(2,614)	(429)	(1,498)	(99)	(42,814)

Note 9.
Non-controlling Interests

On June 28, 2012, the Corporation completed a €13,735,000 ($17,708,000) capital subscription by its European partner. The percentage of European operations held by this partner increased 5.32% to 25.33%. Under the initial agreement entered into in December 2009, the partner had the option of subscribing additional capital up to €33,000,000. To date, the maximum amount has been contributed. The excess of proceeds from the partial sale of a subsidiary amounted to $6,277,000, recognized through *Retained earnings* and *Other comprehensive loss* in the amounts of $5,099,000 and $1,178,000, respectively.

In May 2012, the Corporation completed capital subscriptions by its partners Témiscouata RCM and Côte-de-Beaupré RCM amounting to $324,000 and $92,000, respectively, in connection with wind power projects currently under development in Québec. In August 2012, the Corporation completed an $81,000 capital subscription by its partner Côte-de-Beaupré RCM.

Note 10.
Dispute Settlement

On July 31, 2012, the U.S. Federal Energy Regulatory Commission ("FERC") handed down a final decision in a proceeding against Hudson River-Black River Regulating District ("HRBRRD") to which the Corporation was party for two of its U.S. hydroelectric power stations. The FERC determined that the HRBRRD over-assessed the hydroelectric dam operators for the 2002-2008 period. The HRBRRD is responsible for serving power station operators with an assessment covering the maintenance costs they incur and the water flow regulation royalties from which they benefit.

As a result, for the third quarter of 2012, the Corporation recognized a gain of $3,957,000 (US$4,045,000) in the statement of loss, reversed a payable of $1,792,000 (US$1,832,000) and recorded a receivable of $2,165,000 (US$2,213,000).

Note 11.
Other Losses (Gains)

		Three-month periods ended September 30		Nine-month periods ended September 30	
	Note	2012	2011	2012	2011
Loss (gain) on sale of shares	(a)	971	-	971	(585)
Gain on sale of Merlin-Buxton wind power project	(b)	-	-	-	(1,792)
Gain on sale of assets to the Joint Venture	(c)	-	(582)	-	(582)
		971	(582)	971	(2,959)

Note:

(a) On September 28, 2012, Boralex disposed of 75,000 common shares of Resolute Forest Products ("Resolute") at a net unit price of $12.88. The sale of those shares in the market generated a net loss on disposal of $971,000. As at September 30, 2012, Boralex held 73,780 shares valued at $13.18. Note that in February 2011, Boralex disposed of 784,796 common shares of Resolute in the market at a unit price of $26.50, generating a gain on disposal of $585,000.

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

(c) On September 15, 2011, the Corporation transferred $7,060,000 in assets to the Joint Venture, including a $6,012,000 capital contribution, in exchange for units of the Joint Venture. The units received were valued at $8,223,000, an amount exceeding the value of the transferred assets. Half of the difference, representing Boralex's portion, was recognized as a reduction of the investment in the Joint Venture, while the other half, amounting to $582,000, was recorded in the statement of loss as a gain on sale of assets.

Note 12.

Sale of Assets and Impairment of Property, Plant And Equipment and Intangible Assets

On April 18, 2012, the Corporation completed the sale of the Dolbeau thermal power station to Resolute for a cash consideration of $5,000,000.

On April 4, 2012, the Corporation closed the sale of a wind power development project in Italy for a consideration of €1,466,000 ($1,950,000).

On May 7, 2012, the Corporation closed the sale of the Stacyville thermal power station's assets for a consideration of US$1,800,000 ($1,813,000).

An $823,000 impairment loss on the property, plant and equipment and intangible assets of the Dolbeau power station and the wind power project under development in Italy was recognized as at March 31, 2012 to reduce the assets' carrying amount to their recoverable amount.

Note that in 2011, an impairment charge of $6,503,000 was recorded against the value of property, plant and equipment at the Dolbeau thermal power station following management's decision to close it permanently.

Note 13.

Financing Costs

		Three-month periods ended September 30		Nine-month periods ended September 30	
	Note	2012	2011	2012	2011
Interest on non-current debt, net of the impact of interest rate swaps	(a)	7,930	7,937	22,945	23,635
Interest on convertible debentures		4,763	4,713	14,255	14,110
Interest and other interest income		(944)	(738)	(2,839)	(2,260)
Amortization of borrowing costs		533	611	1,685	1,672
Other interest and banking fees		196	393	686	689
		12,478	12,916	36,732	37,846
Interest capitalized to assets		(38)	(379)	(93)	(822)
		12,440	12,537	36,639	37,024

(a) The interest expense under finance leases for the three- and nine-month periods ended September 30, 2012 amounted to $42,000 and $145,000, respectively, ($76,000 and $244,000 for the respective periods of 2011).

Note 14.

Discontinued Operations

On December 20, 2011, the Corporation closed the sale of its U.S. wood-residue thermal power stations, with a total capacity of 186 MW* for a consideration of $89,428,000 (US$86,798,000), plus the sales proceeds of RECs realized by these power stations during fiscal 2011. During the first quarter of 2012, the Corporation accounted REC revenues totalling $3,789,000 in respect of the balance of RECs generated in 2011.

In addition, under the terms of the transaction, Boralex will collect 50% of REC sales proceeds in excess of the defined price thresholds for 2012, 2013 and 2014, inclusively. During the second and third quarters of 2012, the Corporation recognized $804,000 in REC revenues under that clause.

For the nine-month period ended September 30, 2012, discontinued operations required cash outflows of $6,404,000 million, which represented net earnings from discontinued operations of $3,025,000, less $9,429,000 in income taxes paid during the period.

Note 15.

Net Loss per Share

(a) Basic Net Loss per Share

(in thousands of Canadian dollars, except per share amounts and number of shares)	Three-month periods ended September 30 2012	Three-month periods ended September 30 2011	Nine-month periods ended September 30 2012	Nine-month periods ended September 30 2011
Basic net loss attributable to shareholders of Boralex	(7,601)	(7,208)	(6,353)	(5,304)
Less:				
Basic net earnings (loss) from discontinued operations	566	(893)	3,025	838
Basic net loss from continuing operations attributable to shareholders of Boralex	(8,167)	(6,315)	(9,378)	(6,142)
Weighted average number of shares	37,730,162	37,745,598	37,727,984	37,761,692
Basic net loss per share from continuing operations attributable to shareholders of Boralex	$(0.22)	$(0.17)	$(0.25)	$(0.16)
Basic net earnings (loss) per share from discontinued operations	$0.02	$(0.02)	$0.08	$0.02
Basic net loss per share attributable to shareholders of Boralex	$(0.20)	$(0.19)	$(0.17)	$(0.14)

(b) Diluted Net Loss per Share

(in thousands of Canadian dollars, except per share amounts and number of shares)	Three-month periods ended September 30 2012	Three-month periods ended September 30 2011	Nine-month periods ended September 30 2012	Nine-month periods ended September 30 2011
Diluted net loss attributable to shareholders of Boralex	(7,601)	(7,208)	(6,353)	(5,304)
Less:				
Diluted net earnings (loss) from discontinued operations	566	(893)	3,025	838
Diluted net loss from continuing operations attributable to shareholders of Boralex	(8,167)	(6,315)	(9,378)	(6,142)
Weighted average number of shares	37,730,162	37,745,598	37,727,984	37,761,692
Dilutive effect of stock options	118,421	46,751	97,063	95,084
Weighted average number of shares – diluted	37,848,583	37,792,349	37,825,047	37,856,776
Diluted net loss per share from continuing operations attributable to shareholders of Boralex	$(0.22)	$(0.17)	$(0.25)	$(0.16)
Diluted net earnings (loss) per share from discontinued operations	$0.02	$(0.02)	$0.08	$0.02
Diluted net loss per share attributable to shareholders of Boralex	$(0.20)	$(0.19)	$(0.17)	$(0.14)

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

	Three-month periods ended September 30 2012	Three-month periods ended September 30 2011	Nine-month periods ended September 30 2012	Nine-month periods ended September 30 2011
Debentures excluded due to their anti-dilutive effect	19,584,629	19,589,904	19,587,306	19,589,904
Stock options excluded due to their anti-dilutive effect	791,551	1,420,665	1,020,612	1,088,871

Note 16.

Financial Instruments

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

	As at September 30, 2012	As at December 31, 2011
OTHER CURRENT FINANCIAL LIABILITIES		
Financial swaps – commodities	1,327	6,780
Financial swaps – interest rates	25,670	22,977
	26,997	29,757
OTHER NON-CURRENT FINANCIAL LIABILITIES		
Financial swaps – interest rates	21,847	14,273
	21,847	14,273

Note 17.

Seasonal and Other Cyclical Factors

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

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

Wind

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

Hydroelectricity

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

Thermal

Boralex owns and operates three thermal power stations for an aggregate 80 MW* of installed capacity. Of the three, our Senneterre power station in Québec is fuelled by wood-residue and is covered by a Hydro-Québec power sales contract expiring in 2027. An agreement was recently entered into between Hydro-Québec and Boralex under which the Senneterre power station will produce power six months per year during 2012 and 2013, from December to March and in July and August. Given the terms of the agreement, the power station's results are not expected to be affected, provided the facility operates at the projected level during its months in operation.

Boralex also currently operates two natural gas power stations, one in Kingsey Falls, Québec and the other in Blendecques, France. However, the power sales contract of the Kingsey Falls power station matures on November 30, 2012, at which time the facility will cease power production while continuing to operate the boiler that supplies its industrial client with steam. The French power station's current power sales contract with EDF contains a clause that caps electricity prices from April to October. When the cost of natural gas is high, the profit margin for this period is not sufficient to offset the ceiling on electricity prices. The cogeneration equipment may therefore be shut down, in which case the Corporation supplies its steam client from an auxiliary boiler. Accordingly, since 2005, the power station has operated its cogeneration equipment during the five months from November to March. Note that steam production is quite stable from quarter to quarter, as it is driven by client demand, which is relatively predictable and steady.

Solar

The Corporation's only solar power station (5 MW*) currently in operation is located in Southwestern France. For this facility, covered by a long-term power sales contract, sunlight conditions are usually more favourable in the spring and summer, which occur during Boralex's second and third quarters. In view of these weather conditions, management estimates that approximately 65% of the annual production at its solar power station will be generated in the second and third quarters and 35% in the first and fourth quarters, which favourably offsets the seasonal cycle of the Corporation's other operations to a certain extent.

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

Note 18.

Segmented Information

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

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

EBITDA does not have a standardized meaning under IFRS; accordingly, it may not be comparable to similarly named measures used by other companies. Investors should not view EBITDA as an alternative measure to, for example, net earnings (loss), or as a measure of operating results, which are IFRS measures.

Note 18. Segmented information (Cont'd)

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

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2012	2011	2012	2011
Net loss attributable to shareholders of Boralex	(7,601)	(7,208)	(6,353)	(5,304)
Net loss (earnings) from discontinued operations	(566)	893	(3,025)	(838)
Non-controlling shareholders	(632)	(333)	(783)	(761)
Income tax recovery	(3,494)	(4,011)	(3,456)	(3,588)
Net loss on financial instruments	14	68	499	474
Foreign exchange loss (gain)	(25)	(5,393)	106	(3,346)
Financing costs	12,440	12,537	36,639	37,024
Impairment of property, plant and equipment and intangible assets	-	6,503	823	6,503
Other losses (gains)	971	(582)	971	(2,959)
Amortization	15,119	14,214	43,009	43,250
EBITDA	16,226	16,688	68,430	70,455

Information by Operating Segment

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2012	2011	2012	2011
Power production (MWh)*				
Wind power stations	110,343	94,840	421,584	371,771
Hydroelectric power stations	86,472	148,596	408,441	507,091
Thermal power stations	83,815	92,423	244,119	355,608
Solar power station	2,056	1,942	5,325	2,210
	282,686	337,801	1,079,469	1,236,680
Revenues from energy sales				
Wind power stations	12,540	11,328	49,531	44,794
Hydroelectric power stations	7,456	11,615	33,887	40,337
Thermal power stations	12,173	12,368	43,701	51,391
Solar power station	852	887	2,258	1,011
	33,021	36,198	129,377	137,533
EBITDA				
Wind power stations	9,563	8,160	39,622	35,217
Hydroelectric power stations	7,510	8,513	27,211	30,237
Thermal power stations	2,408	2,928	11,957	16,538
Solar power station	770	810	1,988	931
Corporate and eliminations	(4,025)	(3,723)	(12,348)	(12,468)
	16,226	16,688	68,430	70,455
Additions to property, plant and equipment				
Wind power stations	1,417	3,362	2,037	12,094
Hydroelectric power stations	830	908	1,367	1,239
Thermal power stations	241	1,534	307	3,481
Solar power station	24	112	720	11,545
Corporate and eliminations	478	243	1,102	543
	2,990	6,159	5,533	28,902

Note 18. Segmented information (Cont'd)

Information by Operating Segment (Cont'd)

	As at September 30, 2012	As at December 31, 2011
Total assets		
Wind power stations	557,936	528,521
Hydroelectric power stations	360,420	366,099
Thermal power stations	87,943	101,683
Solar power station	20,305	23,586
Corporate	165,343	156,966
	1,191,947	1,176,855
Total liabilities		
Wind power stations	420,032	392,611
Hydroelectric power stations	137,378	143,439
Thermal power stations	27,113	29,581
Solar power station	16,112	21,043
Corporate	261,279	261,303
	861,914	847,977

Information by Geographic Segment

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2012	2011	2012	2011
Power production (MWh)*				
Canada	155,518	186,271	547,573	670,834
United States	43,384	86,194	242,853	328,673
France	83,784	65,336	289,043	237,173
	282,686	337,801	1,079,469	1,236,680
Revenues from energy sales				
Canada	17,267	18,746	67,735	75,560
United States	3,515	6,427	18,415	24,620
France	12,239	11,025	43,227	37,353
	33,021	36,198	129,377	137,533
EBITDA				
Canada	5,014	5,643	30,464	32,111
United States	5,071	5,201	16,323	19,194
France	6,141	5,844	21,643	19,150
	16,226	16,688	68,430	70,455
Additions to property, plant and equipment				
Canada	1,695	4,955	2,821	13,378
United States	77	207	162	502
France	1,218	997	2,550	15,022
	2,990	6,159	5,533	28,902

Information by Geographic Segment (Cont'd)

	As at September 30, 2012	As at December 31, 2011
Total assets		
Canada	642,751	679,354
United States	192,866	209,003
France	356,330	288,498
	1,191,947	1,176,855
Non-current assets		
Canada	537,276	543,319
United States	145,596	156,631
France	332,169	255,496
	1,015,041	955,446
Total liabilities		
Canada	480,013	483,731
United States	107,742	122,827
France	274,159	241,419
	861,914	847,977

Note 19.

Subsequent Event

On October 25, 2012, Boralex completed the acquisition of a 22 MW* run-of-river hydroelectric power station project in British Colombia. Construction on the project began a few months ago and its commercial commissioning is slated for late 2013. The project is covered by a 40-year power sales contract with BC Hydro and has a 20-year renewal option.

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