

ORRA

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Financial Highlights

(in thousands of dollars, unless otherwise specified)

	2010	2009 ⁽¹⁾	2008 ⁽¹⁾	2007 ⁽¹⁾
OPERATIONS				
Revenues from energy sales	202,864	184,779	197,246	163,338
EBITDA ⁽²⁾	63,966	57,325	68,835	61,284
Net earnings	23,100	24,439	20,410	21,545
Cash flows from operations ⁽²⁾	36,950	47,413	55,200	51,548
INVESTMENTS				
Additions to property, plant and equipment	186,993	84,532	44,577	22,478
Development projects	2,046	10,337	5,617	4,609
Business acquisitions	73,374	53,758	5,781	-
FINANCIAL POSITION				
Cash and cash equivalents	108,574	37,821	69,195	79,195
Property, plant and equipment	810,700	413,539	330,443	258,712
Total assets	1,233,271	663,767	622,954	514,731
Long-term debt	479,546	206,116	158,035	148,747
Convertible debentures	220,824	-	-	-
Total equity	374,702	347,061	363,525	285,376
CLASS A SHARE DATA				
Net earnings per share (basic - in dollars)	0.61	0.65	0.54	0.63
Shareholders' equity per share outstanding at the end of the period (in dollars)	9.92	9.20	9.63	7.62
Weighted average number of shares outstanding (in thousands)	37,742	37,741	37,740	34,403
Shares outstanding, end of period (in thousands)	37,765	37,741	37,741	37,455
Debentures outstanding, end of period (in thousands)	2,451	-	-	-
RATIO				
Long-term debt/total capitalization	40.8%	37.8%	25.2%	26.2%

(1) Certain data have been reclassified to reflect the presentation adopted in 2010.

(2) Earnings before interest, taxes, depreciation and amortization (EBITDA) and cash flows from operations are not measures of performance under Canadian generally recognized accounting principles.

STOCK DATA as at December 31, 2010

Exchange: Toronto (TSX)

Securities and symbols:

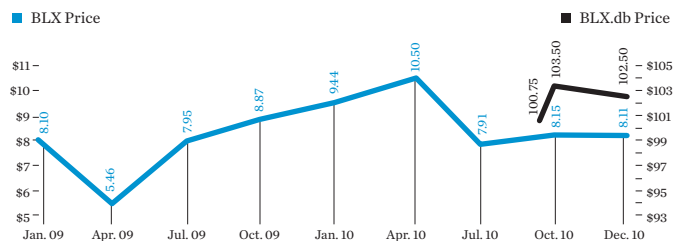
Class A shares (BLX)

Convertible debentures 6.75% - June 30, 2017 (BLX.db)

Conversion ratio of debentures: 8 : 1

Principal Shareholder: Cascades Inc. (34% of class A shares)

CHANGES IN MARKET PRICE (TSX) 2009 and 2010



TRADING ON CLASS A SHARES

Fiscal year ended	Shares issued and outstanding	High	Low	Closing price
December 31, 2010	37,765,139	\$10.74	\$7.28	\$8.11
December 31, 2009	37,740,921	\$10.98	\$5.00	\$9.70

TRADING ON CONVERTIBLE DEBENTURES

Fiscal year ended	Shares issued and outstanding	High	Low	Closing price
December 31, 2010	2,451,244	\$104.89	\$100.10	\$102.50

Fiscal 2010 in summary

Two major events considerably strengthened Boralex's profile, positioning and growth outlook in 2010: the 133% expansion of its wind power installed capacity and the acquisition of Boralex Power Income Fund (the "Fund") finalized on November 1, 2010. Together, these developments grew Boralex's installed capacity from 365 MW to 700 MW, of which 73% with power sales contracts.

EXPANSION

- Investments of \$204 million in projects to develop, expand, and optimize Boralex's renewable energy production base, primarily wind power
- Increase of approximately \$193 million in long-term debt, net of repayments for the year, to finance the Corporation's wind power expansion
- Net investment of \$207 million to acquire the Fund, including a cash payment of \$71 million (net of cash acquired) and a payment of \$136 million in convertible debentures
- Increase of 86% of Boralex's total assets to \$1,233 million as at December 31, 2010

PERFORMANCE

- A 30% increase in production volume (2,044,784 MWh) resulting from the commissioning of Boralex's new wind power stations and the integration of the Fund's power stations for the last 14 weeks of fiscal 2010
- A 10% increase in revenues from energy sales (\$202.9 million) due to the partial contribution of the Fund's power stations and new wind power assets, which offset the unfavourable effects of exchange rate fluctuations and the challenging economic conditions in the United States
- Adjusted EBITDA (excluding non-recurring specific items) of \$69.6 million, up 12% over 2009, owing to the wind power segment (commissioning of new facilities) and the hydroelectric power segment (acquisition of the Fund)
- Net earnings of \$23.1 million in 2010 compared with \$24.4 million in 2009
- As at December 31, 2010, short-term available cash resources of close to \$109 million and net debt/ total capitalization ratio of 41%

Strengthened by its **expanded, more diversified and profitable** operational base – along with business risk mitigated by the increased percentage of contracted installed capacity – Boralex intends to capitalize on its solid reputation in the market and on significant and predictable cash flow generation to pursue its growth.

WIND POWER

Nearly \$175 million was invested in 2010 in the development and optimization of sites totalling in 144 MW in Canada and Europe, all with long-term sales contracts.

- Over 35% increase in segment revenues and EBIDTA in 2010 compared with 2009
- EBIDTA segment margin of 79% of revenues
- 43% of Boralex's consolidated EBIDTA generated by the wind power segment in 2010 (excluding corporate expenses)

CANADA: Commissioned 90 MW in 2010

- Optimization of the 40 MW Phase I of the Thames River (Ontario) commissioned in early 2010 ==> main driver behind growth in the wind power segment in 2010
- Set up financing for Phase II of Thames River and refinancing of Phase I for an aggregate loan of \$195 million over 21 years
- Commissioning of the 50 MW Phase II of Thames River in late 2010
- Advancement, in partnership, of two projects totalling 272 MW at the Seigneurie de Beaupré (Québec) site, with commissioning slated for December 2013
- Acquisition, in partnership, of a 69 MW project with a 20-year sales contract, to be commissioned in December 2014 on the Seigneurie de Beaupré site
- Granting by Hydro-Québec of long-term sales contracts for two 25 MW projects, developed with RCMs, to be commissioned in December 2014 and 2015, one of which to be erected on the Seigneurie de Beaupré site

EUROPE: Commissioned 53.5 MW from February to October 2010

- Expansion of the 4.5 MW Cham Longe site (February 2010)
- Commissioned the 30 MW Ronchois site (August 2010)
- Commissioned Le Grand Camp (10 MW) and Chasse Marée (9 MW) sites in October 2010
- Continue seeking development opportunities for a 20 MW wind power site in Italy

Boralex anticipates strong growth in power production volumes and financial results in the wind power segment for 2011, in view of the full contribution of nearly 100 MW of assets commissioned in the last five months of 2010 and early 2011. The increased contribution of the wind power segment to the consolidated results will boost the Corporation's profit margins and cash flows.

HYDROELECTRIC POWER

The integration of the Fund's seven power stations brought this segment's installed capacity to 136 MW from 40 MW, lifting the portion of Boralex's installed capacity with sales contracts from 48% to 85%.

- Increases of 154% and 242% of segment revenues and EBIDTA, respectively, due to the consolidation of the results of the Fund during the last 14 weeks of fiscal 2010
- Segment EBIDTA margin of 72% of revenues, compared with 54% in 2009, owing to the partial contribution of the Fund.
- Excluding the Fund, segment results were comparable to 2009 in spite of the Canadian dollar's strength
- In Québec, renewal of the East Angus power station long-term sales contract

The Fund's acquired hydroelectric power stations will contribute significantly to Boralex's revenue and profit margin growth starting in 2011. Further, since all of these have sales contracts, they will represent a reliable source of cash flows in the coming years, supporting the Corporation's development projects.

THERMAL POWER

Following the Fund's acquisition of three power stations (two of which are wood residue, and the other natural gas), the installed capacity increased 43% and the portion with sales contracts reached 46% from 23%.

- **WOOD RESIDUE:** Solid operational control to offset market weakness
- Declines of 15% and 41% of segment revenues and EBITDA, respectively, due mainly to the Canadian dollar's strength and the challenging business climate in the United States, including the end of the renewable energy tax credits program
- Positive impacts of overall performance optimization program for U.S. wood-residue power stations (2006-2009)
- Participation for three months of 2010 of U.S. power stations in the Biomass Crop Assistance Program (BCAP), offering grants for the collection and transformation of biomass
- Investments in the Senneterre (Québec) power station to secure its supplies of raw materials, using old bark piles
- **NATURAL GAS:** Stable source of profits and cash flows
- Respective increases of 48% and 192% of revenues and EBITDA, due to the addition of the Kingsey Falls (Québec) power station beginning 15 September 2010, coupled with the solid performance of the Blendecques (France) power station

The acquisition of the Fund will allow for more stable results in the segment by increasing the contracted portion of its production while mitigating its vulnerability in relation to exchange rate fluctuations.

SOLAR POWER

A fourth operating segment and development axis for Boralex

- After several years of analyses and prospection, construction has begun of our first solar power station with a 4.5 MW capacity in the south of France, adjoining the Avignonet-Lauragais wind power site
- Signature of a 20-year sales contract with Électricité de France
- Commissioning planned for mid-2011
- To finance the equity portion of the projects, an increase of 16% to 20% of Cube's interest in Boralex's European operations through an additional capital injection

Message to Shareholders

For Boralex, last year was a period of strong expansion and profound change. Full acquisition of Boralex Power Income Fund (the “Fund”) as of November 1, 2010 along with the significant development of our wind power segment not only almost doubled Boralex’s total assets, but created a better diversified company than it had previously been, and less vulnerable to sudden changes in economic conditions. By strengthening Boralex with an additional installed capacity of 333.5 MW since the end of 2009 — all with power sales contracts — these two events will increase our average profit margin, reduce our level of risk and support future growth by generating stable and predictable cash flows.

WIND POWER SEGMENT: IMPLEMENTING A SOLID PRESENCE IN CANADA AND EXPANDING IN EUROPE

In the space of a little more than a year, the installed and fully contracted capacity of our wind power segment more than doubled, rising from 108 MW to 251 MW. In addition, long-term sales contracts have been entered into with our partners for future sites with potential installed capacity currently totalling close to 400 MW that will be commissioned gradually by the end of 2015.

One of the major milestones of the last fiscal year was Boralex’s successful and profitable implementation in the Canadian wind power market. Commissioned at the beginning of 2010, the 40 MW Phase I of Thames River in Ontario made a significant contribution to Boralex’s performance in 2010, in line with expectations. The experience acquired by our Canadian team in managing this first wind power site facilitated the successful commissioning of the 50 MW Phase II of Thames River at the close of 2010, and paves the way for integrating projects that total an installed capacity of almost 400 MW, all with long-term contracts, currently under development in Québec, including 366 MW on the exceptional Seigneurie de Beaupré site. In fact, besides the two projects totalling 227 MW expected to be commissioned for December 2013, the consortium formed by Boralex and Gaz Métro in 2010 acquired the rights and the long-term power sales contract on a 69 MW project that will be built on the Seigneurie de Beaupré site and commissioned at the end of 2014. Furthermore, Boralex teamed with two Québec regional county municipalities to successfully file submissions for two 25 MW wind projects, one slated for commissioning in the Témiscouata region in December 2014 and the other on the Seigneurie de Beaupré site in December 2015.

With European partner Cube, Boralex commissioned new wind power facilities in France totalling 53.5 MW between February and October 2010. We are also proceeding with the development of a 20 MW wind power project in Italy, with an installed capacity that may be upgraded. Several targets were identified in Europe for the purpose of acquiring other wind power assets already in operation or under development.

Note, too, that following several years of analyses and prospection, Boralex recently added a new development segment in Europe - **solar power**. Our first 4.5 MW solar power station, financed in partnership with Cube and carrying a favourable-rate long-term sales contract with Électricité de France, will be commissioned toward the middle of fiscal 2011. Located on land adjoining our Avignonet-Lauragais wind power farm in the south of France, it will be the first combined wind and solar power production site in the country. Various other solar projects totalling about 40 MW are currently under review, primarily in France.

ACQUISITION OF THE FUND: COMBINING SYNERGIES AND CREATING ECONOMIC VALUE

Between September 15, 2010 — the effective takeover date — and November 1, 2010, Boralex acquired all of the trust units of the Fund for a total net consideration of \$207.1 million, of which a net amount of \$71.2 million was paid in cash and the balance of \$135.9 million in exchange for debentures convertible into Class A shares of Boralex. Since their issue and listing on the Toronto Stock Exchange on September 16, 2010, the convertible debentures traded, on average, at a premium of 3 to 4%, which demonstrates — beyond their finding favour with investors — our intention to create value for both the shareholders of Boralex and former unitholders of the Fund.

The acquisition of the Fund added to our operational base installed and fully contracted capacity of 190 MW, of which 96.5 MW is in the hydroelectric segment — a significant and reliable generator of cash flows. This acquisition represents a logical and natural step in Boralex's evolution, which had been operating and optimizing the Fund's power stations for the last ten years. Consequently, its positive benefits for Boralex's position and results were immediate as integrating the Fund's assets required neither operational restructuring nor additional investment. Moreover, it will better focus our expansion, operational and financing strategies.

Given the recent expansion in our wind power segment, the strategic and financial advantages to us of Fund integration are many and far-reaching. In addition to increasing Boralex's installed capacity to 700 MW, the combined effect of these two developments was to raise the percentage of our activities secured by long-term power sales contracts to the current 73% from 48% at the beginning of December 2009. This new structure will give Boralex greater profit margin and future cash flow stability. In terms of segment breakdown, these developments mean that the wind and hydroelectric power segments — whose profit margins are significantly higher than the historic average of all Boralex's assets — now total 55% of our installed capacity, compared with 40% scarcely 15 months ago. Last, acquisition of the Fund and expansion of the wind power segment have resulted in a greater diversification of assets among Canada, the U.S. and Europe.

FINANCIAL PERFORMANCE

The developments of the last few quarters have considerably bolstered Boralex's profile, profitability potential, cash flows from operations and, thereby, growth outlook. Among others, their future cash flow contributions will help to finance the equity portion of Boralex's development projects, particularly in the wind power segment. Note that in fiscal 2010, the Fund alone generated EBITDA of \$44.4 million or 48% of revenues, and cash flows from operations amounting to \$36.9 million.

These benefits will start to materialize in fiscal 2011, as Boralex will enjoy the full contribution of the Fund's assets compared with 14 weeks in 2010, and the contribution of wind power sites totalling nearly 100 MW commissioned in the last five months of 2010 and early in 2011. Over a full year, the expected growth of revenues and profit margins from these sources will lessen the impact on our results of economic conditions that remain challenging for our wood-residue power production segment. Also, the increased weight of our Canadian activities will reduce the impact of fluctuations in the exchange rates that dragged on Boralex's performance during the last two fiscal years.

The net gain of 23% on deemed disposal of Boralex's investment in the Fund prior to the takeover, along with the tax benefits realized on this transaction greatly contributed to fiscal 2010 results. These two elements accounted for the lion's share of earnings of \$23.1 million or \$0.61 per share (basic) recorded as at December 31, 2010. From an operations perspective, the addition of the Fund's ten power stations effective September 15, 2010 and the contribution of the new wind power sites helped to grow Boralex's production volume, revenues and adjusted EBITDA by 30%, 10% and 12%, respectively.

MEDIUM-TERM OBJECTIVE: 1,500 MW

A few years ago, Boralex set itself a medium-term objective of a total of 1,000 MW. That being said, following on the developments of the past year, Boralex now owns a total installed capacity of 700 MW and more than 400 MW in projects under development with partners.

In the face of such growth, Boralex is now setting a new objective – total capacity of 1,500 MW contracted or in operation by 2015. To achieve this, our spearhead for the next few years will remain the wind power segment where, in addition to the development of our current projects and future projects, we are actively seeking opportunities to acquire projects in various stages of development in Europe and Canada. We also intend to further grow our hydroelectric segment, primarily in Québec and British Columbia, and to develop the emerging segment of solar power production. Our approach in the thermal power segment will be mainly determined by market opportunities that benefit from power sales contracts and raw material supply agreements.

OUR COMMITMENT: CONTINUING TO GROW ECONOMIC VALUE FOR THE BENEFIT OF BORALEX'S SHAREHOLDERS, PARTNERS AND EMPLOYEES

We are certain that Boralex's new reality and increased potential will ultimately be reflected in its stock market valuation. On behalf of management, we will continue to honour our commitment to maximize its intrinsic value through our strategic choices, the quality of our operations and our hands-on day-to-day management. We will ensure that Boralex remains a leader in its industry, an agile and innovative company, turned firmly towards the future and always on the lookout for new technologies. At the same time, our expansion projects will particularly target assets with long-term power sales contracts in order to reduce our risks and generate stable and predictable cash flows. For the same reason, we will maintain a healthy level of geographic and segment diversification.

Above all, we will never lose sight of the fact that Boralex's main strength is the exceptional quality and stability of its personnel. We also wish to thank all of our employees for their skill, their drive, their loyalty and their openness. Our thanks go, too, to the members of Boralex's Board of Directors, to our strategic and financial partners, and to the Corporation's shareholders.

(s) Bernard Lemaire

(s) Patrick Lemaire

Bernard Lemaire

Executive Chairman of the Board of Directors

Patrick Lemaire

President and Chief Executive Officer

March 11, 2011

Management's Discussion and Analysis

for the year ended December 31, 2010

DESCRIPTION OF BUSINESS

Boralex Inc. ("Boralex" or the "Corporation") is a power producer whose core business is the development and operation of power stations that generate renewable energy. It operates power stations with a total installed capacity of 700 megawatts ("MW") in Canada, the Northeastern United States and France. Employing nearly 350 people, Boralex stands out for its diversified expertise and in-depth experience in three power generation segments:

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

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

INTRODUCTORY COMMENTS TO MANAGEMENT REPORT

GENERAL

This Management's Discussion and Analysis ("MD&A") reviews the operating results and cash flows for the three-month period and fiscal year ended December 31, 2010, compared with the corresponding three-month period and fiscal year ended December 31, 2009, as well as the Corporation's financial position as at these dates. This report should be read in conjunction with the audited consolidated financial statements and related notes found in this Annual Report for the fiscal year ended December 31, 2010.

Additional information about the Corporation, including the annual information form, previous annual reports, MD&As and interim financial statements, the different documents issued and filed relating to Boralex's offer to acquire the Boralex Income Fund (the "Fund") as well as press releases, is published separately and is available on the Corporation's website (www.boralex.com) and the SEDAR website (www.sedar.com).

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

The information contained in this MD&A reflects all material events up to March 11, 2011, the date on which the Board of Directors approved the consolidated financial statements and this annual MD&A.

Unless otherwise indicated, all financial information presented below, as well as tabular information, is in Canadian dollars.

NOTICE CONCERNING FORWARD-LOOKING STATEMENTS

The purpose of this MD&A is to help the reader understand the nature and importance of changes and trends as well as the risks and uncertainties that may affect Boralex's operating results and financial position. Accordingly, some of the statements contained in this analysis, including those regarding future results and performance, are forward-looking statements based on current expectations, within the meaning of securities legislation. These statements are characterized by the use of positive or negative verbs, such as plan, anticipate, evaluate, estimate, believe and other related expressions. They are based on Boralex management's expectations, estimates and assumptions as at March 11, 2011.

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

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

COMPLIANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

Unless otherwise indicated, the financial information presented in this MD&A, including tabular amounts, is prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). This MD&A also contains measures that are not standardized measures according to GAAP. For management purposes, Boralex uses earnings before interest, taxes, depreciation and amortization ("EBITDA"), adjusted EBITDA and adjusted net earnings, as this method allows management to assess the operating and financial performance of the Corporation's various segments.

In addition, in analyzing changes in its financial position, the Corporation uses cash flows from operations, which is equal to cash flows related to operating activities before change in non-cash working capital items. Both management and investors use this indicator to assess the quality of cash flows generated by operations and the Corporation's ability to finance its expansion projects through its operating activities.

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

IMPORTANT EVENT: ACQUISITION OF THE FUND BY BORALEX

DESCRIPTION OF TRANSACTION

On September 15, 2010, Boralex announced the acquisition of approximately 68% of issued and outstanding units of the Fund pursuant to its takeover bid launched in May 2010 to acquire the Fund (the "Offer").

On November 1, 2010, Boralex and the Fund executed the business combination agreement approved by the special meeting of unitholders of the Fund held on October 21, 2010. On November 2, 2010, Boralex proceeded with the payments in cash and through the issuance of convertible debentures for all the units of the Fund still outstanding at the time of the business combination. Boralex completed the privatization of the Fund by applying to have the Fund's status as a reporting issuer revoked and to have the units delisted from the Toronto Stock Exchange. Total consideration of \$226.5 million was paid to unitholders through a combination of \$90.6 million in cash and the issuance of convertible debentures valued at \$135.9 million.

For further details on the transaction, please see note 4, *Business Acquisitions*, to the consolidated financial statements as at December 31, 2010.

DESCRIPTION OF THE FUND'S ASSETS ACQUIRED BY BORALEX

Since the creation of the Fund in 2002, Boralex has been operating the Fund's ten power stations with a total installed capacity of 190 MW, including seven hydroelectric power stations, two wood-residue thermal power stations and one natural gas cogeneration facility. Eight of these power stations are located in Québec, Canada and two are in the State of New York in the United States. The table below lists the power stations acquired by Boralex together with their operating capacity, power sales contract term and the selling price indexing formula:

Location of power station	Term	Energy source	Price index	Maximum installed capacity in MW
Québec, Canada				
Beauport	2015	Hydroelectricity	CPI-min. 3%, max. 6%	4.5
Buckingham	2019	Hydroelectricity	CPI-min. 3%, max. 6%	10.0
Forestville	2013/2015	Hydroelectricity	CPI-min. 3%, max. 6%	12.5
Rimouski	2017	Hydroelectricity	CPI-min. 3%, max. 6%	3.5
Saint-Lambert	2020	Hydroelectricity	CPI-min. 3%, max. 6%	6.0
Dolbeau	2022	Wood residue ⁽¹⁾	CPI	28.0
Senneterre	2027	Wood residue	CPI-min. 3%, max. 6%	35.0
Kingsey Falls	2012	Natural gas ⁽¹⁾	CPI-min. 3%, max. 6%	31.0
				130.5
New York State, United States				
Hudson Falls	2035	Hydroelectricity	⁽²⁾	46.0
South Glens Falls	2034	Hydroelectricity	⁽²⁾	14.0
				60.0
				190.5

(1) These facilities can produce both electricity and steam.

(2) The price structure for the U.S. power stations is as follows:

	Hudson Falls	South Glens Falls
	US\$/MWh	US\$/MWh
2011 - 2017	86.14 - 80.58	88.69 - 86.65
2018 - 2024	48.27	86.65
2025	48.27	121.79 or market ^(*)
2026 and thereafter	56.28 or market ^(*)	121.79 or market ^(*)

(*) The client has the option of replacing the contract price with the market price until the contract terminates in 2025 for the South Glens Falls facility and in 2026 for the Hudson Falls facility.

OPERATIONAL AND FINANCIAL IMPACTS OF THE ACQUISITION OF THE FUND

The table below shows the impact of the acquisition of the Fund on Boralex's portfolio of assets and the breakdown of its total installed capacity. Boralex owns energy production assets with a total capacity of almost 700 MW located in Canada, the U.S. and France.

MAKEUP OF BORALEX'S ENERGY PORTFOLIO

	Boralex		Fund		Combined	
	MW	%	MW	%	MW	%
Installed capacity						
- Contracted	320.0	63%	190.5	100%	510.5	73%
- Non contracted	188.5	37%	-	-	188.5	27%
Total	508.5	100%	190.5	100%	699.0	100%
Location						
- Canada	107.0	21%	130.5	69%	237.5	34%
- United States	226.5	44%	60.0	31%	286.5	41%
- Europe	175.0	35%	-	-	175.0	25%
Total	508.5	100%	190.5	100%	699.0	100%
Type of power						
- Wind	251.0	49%	-	-	251.0	36%
- Hydroelectricity	39.5	8%	96.5	51%	136.0	20%
- Thermal/wood residue	204.0	40%	63.0	33%	267.0	38%
- Thermal/natural gas	14.0	3%	31.0	16%	45.0	6%
Total	508.5	100%	190.5	100%	699.0	100%

The acquisition of the Fund provides Boralex with numerous and significant advantages, mainly the following:

- The acquired assets are of high quality, particularly the hydroelectric assets – a type of power with a solid track record, a history of profits and a reliable source of cash flows;
- All of the Fund's power stations have power sales contracts, increasing Boralex's contracted percentage of installed capacity from 63% to 73%, and providing greater stability in terms of profit margins and cash flows;
- The acquisition has resulted in a greater diversification of assets among Canada, the U.S. and Europe;
- At the corporate level, the integration of the Fund's assets allows for more focused growth, operating and financing strategies while no organizational changes are required as Boralex has been operating and managing these assets since 2002;
- Boralex now owns and operates almost 700 MW, with 510.5 MW covered by power sales contracts;
- Working with different partners, Boralex also has more than 400 MW under development, all covered by power sales contracts. Boralex's strategic objective of 1,000 MW of contracted capacity is therefore within reach, following the immediate integration of the Fund's power stations. Their future significant and stable cash flows will contribute particularly to financing the equity portion of development projects in the wind power segment. Note that in fiscal 2010, the Fund generated EBITDA of \$44.4 million or 48% of revenues, and cash flows from operations amounting to \$36.9 million.

To sum up, the acquisition of the Fund has bolstered Boralex's profit margins, and in addition, has considerably strengthened its profile, positioning, cash flows from operations, and thereby its growth outlook. The acquisition has also lowered Boralex's business risk significantly by reducing to under 27% the relative share of U.S. assets without power sales contracts and thereby subject to fluctuations in the open electricity market.

FINANCIAL STATEMENT PRESENTATION

The Fund's earnings are accounted for as follows in Boralex's statement of earnings for the year ended December 31, 2010:

- Up to September 15, 2010, Boralex's earnings include, as in the past, 23% of the Fund's net earnings, which is presented under *Share in earnings of the Fund, Management revenues from the Fund and Management and operating expense of the Fund*;
- For the period of six weeks from September 16 to October 31, 2010, the Fund's earnings are consolidated 100% with those of Boralex while the portion of the Fund's earnings attributable to trust units not yet acquired by Boralex is presented under *Non-controlling interests*; and
- As of November 1, 2010, no amounts are recognized under *Non-controlling interests*.

Boralex's balance sheet as at December 31, 2010, includes all the items in the Fund's balance sheet.

In this management report, when considered relevant, the Fund's performance is sometimes presented separately in management's discussion and analysis as well as in certain tables to allow comparisons of Boralex's results with those of previous periods.

INFORMATION BY OPERATING SEGMENT - INCLUDING THE FUND SINCE THE ACQUISITION DATE

(in thousands of dollars, unless otherwise specified)	QUARTERS ENDED DECEMBER 31,				YEARS ENDED DECEMBER 31,			
	2010			2009	2010			2009
	Combined	Fund	Boralex		Combined	Fund	Boralex	
Power production (MWh)								
Wind power stations	143,379	–	143,379	79,741	377,392	–	377,392	235,418
Hydroelectric power stations	220,380	172,719	47,661	41,017	328,290	186,741	141,549	145,303
Wood-residue thermal power stations	310,790	60,600	250,190	304,399	1,236,930	68,357	1,168,573	1,156,652
Natural gas thermal power stations	71,712	55,570	16,142	14,859	102,172	63,523	38,649	37,501
	746,261	288,889	457,372	440,016	2,044,784	318,621	1,726,163	1,574,874
Revenues from energy sales								
Wind power stations	17,479	–	17,479	10,974	45,924	–	45,924	33,872
Hydroelectric power stations	18,060	14,892	3,168	2,948	26,221	16,115	10,106	10,329
Wood-residue thermal power stations	24,173	4,869	19,304	27,031	105,357	5,305	100,052	123,391
Natural gas thermal power stations	13,324	7,722	5,602	5,196	25,362	8,785	16,577	17,187
	73,036	27,483	45,553	46,149	202,864	30,205	172,659	184,779
EBITDA								
Wind power stations	14,103	–	14,103	9,085	36,263	–	36,263	26,789
Hydroelectric power stations	14,401	12,455	1,946	1,743	18,929	13,412	5,517	5,538
Wood-residue thermal power stations	1,904	(206)	2,110	9,359	23,491	(240)	23,731	39,995
Natural gas thermal power stations	4,105	2,981	1,124	915	6,291	3,392	2,899	2,155
Corporate and eliminations	(4,272)	(93)	(4,179)	(9,117)	(21,008)	(1,162)	(19,846)	(17,152)
	30,241	15,137	15,104	11,985	63,966	15,402	48,564	57,325

INFORMATION BY GEOGRAPHIC SEGMENT - INCLUDING THE FUND SINCE THE ACQUISITION DATE

(in thousands of dollars, unless otherwise specified)	QUARTERS ENDED DECEMBER 31,				YEARS ENDED DECEMBER 31,			
	2010			2009	2010			2009
	Combined	Fund	Boralex		Combined	Fund	Boralex	
Power production (MWh)								
United States	396,780	108,544	288,236	336,223	1,393,618	115,756	1,277,862	1,274,837
France	107,628	–	107,628	88,972	295,141	–	295,141	267,291
Canada	241,853	180,345	61,508	14,821	356,025	202,865	153,160	32,746
	746,261	288,889	457,372	440,016	2,044,784	318,621	1,726,163	1,574,874
Revenues from energy sales								
United States	30,969	9,531	21,438	28,890	116,726	10,197	106,529	130,780
France	16,883	–	16,883	15,667	47,548	–	47,548	50,556
Canada	25,184	17,952	7,232	1,592	38,590	20,008	18,582	3,443
	73,036	27,483	45,553	46,149	202,864	30,205	172,659	184,779
EBITDA								
United States	11,328	8,178	3,150	9,891	34,970	8,694	26,276	43,043
France	9,237	–	9,237	8,202	23,389	–	23,389	24,364
Canada	9,676	6,959	2,717	(6,108)	5,607	6,708	(1,101)	(10,082)
	30,241	15,137	15,104	11,985	63,966	15,402	48,564	57,325

PRO FORMA INFORMATION BY OPERATING SEGMENT - INCLUDING 100% OF THE FUND

(in thousands of dollars, unless otherwise specified)	QUARTERS ENDED				YEAR ENDED
	March 31, 2010	June 30, 2010	September 30, 2010	December 31, 2010	December 31, 2010
Power production (MWh)					
Wind power stations	90,291	76,999	66,722	143,379	377,391
Hydroelectric power stations	154,447	157,299	100,126	220,380	632,252
Wood-residue thermal power stations	404,932	322,624	387,314	310,790	1,425,660
Natural gas thermal power stations	76,657	43,705	47,410	71,712	239,484
	726,327	600,627	601,572	746,261	2,674,787
Revenues from energy sales					
Wind power stations	11,413	9,230	7,802	17,479	45,924
Hydroelectric power stations	14,006	12,360	8,661	18,060	53,087
Wood-residue thermal power stations	39,209	26,207	30,698	24,173	120,287
Natural gas thermal power stations	15,350	8,295	8,901	13,324	45,870
	79,978	56,092	56,062	73,036	265,168
EBITDA					
Wind power stations	9,419	7,112	5,628	14,103	36,262
Hydroelectric power stations	11,099	9,397	5,896	14,401	40,793
Wood-residue thermal power stations	14,571	4,507	7,433	1,904	28,415
Natural gas thermal power stations	6,695	1,967	2,517	4,105	15,284
Corporate and eliminations*	(5,975)	(9,969)	(4,324)	(4,272)	(24,540)
	35,809	13,014	17,150	30,241	96,214

*Excluding the share in earnings of the Fund which was included in Boralex's EBITDA prior to the acquisition of the Fund.

PRO FORMA INFORMATION BY GEOGRAPHIC SEGMENT - INCLUDING 100% OF THE FUND

(in thousands of dollars, unless otherwise specified)	QUARTERS ENDED				YEAR ENDED
	March 31, 2010	June 30, 2010	September 30, 2010	December 31, 2010	December 31, 2010
Power production (MWh)					
United States	427,108	356,802	391,617	396,780	1,572,307
France	85,317	51,454	50,741	107,628	295,140
Canada	213,902	192,371	159,214	241,853	807,340
	726,327	600,627	601,572	746,261	2,674,787
Revenues from energy sales					
United States	39,112	30,235	32,717	30,969	133,033
France	14,432	8,152	8,081	16,883	47,548
Canada	26,434	17,705	15,264	25,184	84,587
	79,978	56,092	56,062	73,036	265,168
EBITDA					
United States	16,991	9,489	10,204	11,328	48,012
France	7,068	3,332	3,752	9,237	23,389
Canada*	11,750	193	3,194	9,676	24,813
	35,809	13,014	17,150	30,241	96,214

*Excluding the share in earnings of the Fund which was included in Boralex's EBITDA prior to the acquisition of the Fund.

SUMMARY OF CONSOLIDATED INFORMATION FOR THE PAST THREE FISCAL YEARS

(in thousands of dollars, except per share amounts and number of shares)

OPERATING RESULTS DATA

Years ended December 31,	2010	2009	2008
Revenues from energy sales	202,864	184,779	197,246
EBITDA	63,966	57,325	68,835
Net earnings	23,100	24,439	20,410
Per share, basic and diluted, in dollars	0.61	0.65	0.54
Weighted average number of common shares outstanding (basic)	37,741,916	37,740,921	37,739,840

BALANCE SHEET DATA

As at December 31,	2010	2009	2008
Total assets	1,233,271	663,767	622,954
Total debt ⁽¹⁾	513,774	242,680	187,445
Convertible debentures	220,824	-	-
Total equity	374,702	347,061	363,525

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

HIGHLIGHTS OF THE LAST THREE FISCAL YEARS OTHER THAN THE ACQUISITION OF THE FUND**EXPANSION OF THE WIND POWER SEGMENT - EUROPE**

In April 2008, the Corporation increased the installed capacity of its Avignonet-Lauragais wind farm in France by 4.5 MW to 12.5 MW. During fiscal 2009, Boralex commenced work on its Cham Longe II wind farm in France to increase its installed capacity from 18 MW to 22.5 MW and the new facilities were commissioned on February 1, 2010. Also in France, in July 2009, the Corporation signed an acquisition contract for the construction and operation of the 9 MW Chasse Marée wind farm, which was commissioned in October 2010.

On December 14, 2009, the Corporation entered into a partnership agreement with Cube Infrastructure Fund ("Cube"), a Luxembourg-based investment fund. Under the agreement, Cube may subscribe an amount up to €33 million, for a maximum 30% share in Boralex's European operations, up to December 2012. Of this amount, an initial tranche of €15 million was subscribed to by Cube on December 14, 2009 giving it a 16% share. This injection of funds generated a \$13.9 million net gain on dilution recognized in the consolidated earnings for fiscal 2009, representing the increase in value obtained by Boralex compared with the carrying amount of European operations. The primary aim of the partnership with Cube is to accelerate the expansion of its renewable energy production asset base in Europe by providing capital for the development or acquisition of new projects without additional capital investment by Boralex.

On December 29, 2009, Boralex and Cube announced the acquisition of three wind farms in France with a total installed capacity of 47 MW. The smallest of three, with an installed capacity of 7 MW, was sold in 2010 as it did not meet Boralex's strategic criteria and the Corporation made a solid gain on this sale. The other two, namely the Ronchois farm (30 MW) in the Picardy and Normandy regions, and Le Grand Camp (10 MW) in the Centre region, were commissioned in August and October 2010, respectively. Accordingly, in the single year of 2010, Boralex increased the installed capacity of its wind power segment in France by 50% or nearly 54 MW to 161 MW as December 31, 2010. All of Boralex's wind power facilities in France benefit from long-term power contracts with Électricité de France ("EDF"), a government corporation.

On December 31, 2010, the €265 million master financing agreement entered into 2007 with BNP Paribas to finance wind power projects in France expired. The Corporation decided not to renew this facility in order to use other financing options. As at December 31, 2010, under this financing agreement, Boralex owed an amount of €144.2 M (\$192.1 million), payable by 2022.

EXPANSION OF THE WIND POWER SEGMENT - CANADA

Over the recent fiscal years, Boralex has imported into Canada its leading-edge expertise acquired in the wind power segment in France. Having acquired the rights to the 90 MW Thames River wind power site in Southern Ontario, a strategically located region with solid wind power potential, in 2008, Boralex set up the financing facility and started construction of the 40 MW Phase I of the Thames River site comprising four 10 MW wind farms. These wind farms were brought on stream, fine-tuned and ramped up to commercial production levels between December 8, 2009 and January 29, 2010. In March 2010, Boralex entered into an agreement with a consortium of Canadian life insurance companies to finance Phase II (50 MW) of the Thames River wind power site and refinance the already operational Phase I (40 MW). The five 10 MW wind farms of Thames River Phase II were commissioned for commercial production between October 27, 2010 and January 28, 2011.

Each of these Thames River site farms has a 20-year power sales contract with the Ontario Power Authority, which will purchase their entire production under the Renewable Energy Standard Offer Program (“RESOP”). In addition, on October 21, 2009, the Corporation secured a better wind power rate for its projects that qualify for the RESOP program under new Ontario rules for the promotion of renewable energy. As a result, since becoming fully operational, all the wind farms at the Thames River site are eligible for the Advanced RESOP program which provides for a rate of \$121 per MWh (compared with the initial rate of \$110 per MWh under the RESOP program). Further, new rules allow Boralex to recover 100% of the federal ecoEnergy program grant (rather than 50% under the original RESOP program), which represents an additional \$10 per MWh instead of \$5 per MWh over a ten-year period under the original program. The more advantageous conditions will have a significant positive impact on the performance of these assets.

In July 2008, Boralex purchased the rights to a second wind power project in Southern Ontario – Merlin-Buxton – with a potential installed capacity of approximately 90 MW. Management will assess its options regarding this site.

In Québec, following Hydro-Québec’s request for proposals, a consortium consisting in equal parts of Boralex and an entity formed and owned by Gaz Métro Limited Partnership (the “Consortium”) was selected in May 2008 for two wind power projects, namely the Seigneurie de Beaupré wind farms, with a total capacity of 272 MW. These projects which will be constructed on land owned by the Séminaire de Québec and commissioned at the end of 2013. The Seigneurie de Beaupré site offers a number of key advantages, including exceptional wind power potential due to excellent wind conditions, confirmed by five years of wind studies, and its proximity to Hydro-Québec TransÉnergie interconnection lines. As the site is located far from any urban or residential areas, the visual, sound and environmental impacts will be all but non-existent. The Seigneurie de Beaupré projects received environmental impact approval from government authorities in July 2009. The Consortium is working with Enercon, a wind turbine manufacturer with globally recognized know-how. The Consortium intends to finalize financing for these two projects in 2011 and complete a significant portion of the construction work on the foundations and the major part of road work.

In addition, on November 19, 2010, the Consortium purchased the rights to a 69 MW project with 20-year power sales contract with Hydro-Québec. The future wind farm will be built on the Seigneurie de Beaupré site and commissioning is slated for December 2014. Last, on December 20, 2010, in partnership with two MRCs, namely La Côte-de-Beaupré and Témiscouata, Boralex announced the awarding of two wind power projects of 25 MW each under a Hydro-Québec request for proposals for community wind power projects. The first wind farm located on the Seigneurie de Beaupré site will be commissioned in December 2014 and the other in December 2015.

ENTRY INTO THE SOLAR ENERGY SEGMENT

At the end of 2010, Boralex completed the final planning stages, including the financing, of its first solar power project with an installed capacity of 4.5 MW and a 20-year power sales contract with EDF. In July 2010, Cube made an additional capital injection of €4.3 million to fund the equity portion of the project, increasing to 20% its interest in Boralex’s European operations. Construction work on the new solar power station began in January 2011 with the commissioning of commercial operations slated for mid-2011. This first solar power facility will be located on land adjoining the Avignonet-Lauragais wind power farm operated by Boralex in the south of France, making it the first combined wind and solar power generation site in the country. The plant will use photovoltaic panel and cell technology supplied by a world leader in the field.

Soon, solar power will become Boralex’s fourth operating segment. Boralex’s entry into this promising market is the result of several years of strategic planning, technological assessments and prospection in Europe where geographic conditions are conducive to the development of this type of renewable energy.

IMPACT OF THE ECONOMIC SLOWDOWN ON THE WOOD-RESIDUE SEGMENT

Overall (excluding the Fund’s operations), Boralex was relatively unaffected by the weak global economy since the 2008 crisis as a large portion of its operating installed capacity is covered by power sales contracts, including all of its wind power facilities, its French natural gas cogeneration power station as well as a portion of its hydroelectric assets. That said, in the past two fiscal years, the wood-residue thermal power segment was affected by a difficult business environment, which still persists. As they sell their power on the Northeastern U.S. open market, Boralex’s wood-residue thermal power stations had to deal with a sharp drop in electricity selling prices, mainly resulting from lower demand, as well as a significant price drop in Renewable Energy Certificates (“RECs”) sold by three of the facilities in the Connecticut market.

In addition to these economic conditions, the U.S. federal government’s renewable energy tax credits program was terminated in December 2009. Under this program, Boralex’s U.S. wood-residue power stations had generated revenues totalling \$60.0 million since 2005, including \$13.9 million in 2009.

However, the wood-residue segment's difficult environment was partly offset by a range of initiatives such as the following:

- Effective selling price hedging strategies (swaps) for wood-residue power stations, particularly in fiscal 2009;
- Original business model for wood-residue supplies involving wood-residue collection companies that allows the segment to better control the availability, cost and quality of raw materials;
- Completion, between 2006 and 2009, of a significant overall performance optimization program for the segment's power stations, supported by sound investments in equipment and the development of solid internal preventive maintenance expertise; and
- Participation, between December 2009 and April 2010 in the U.S. federal government's Biomass Crop Assistance Program ("BCAP"), which offers financial incentives to companies operating in the collection and transformation of biomass for the production of electricity, among other purposes. This program was renewed by the U.S. government and Boralex is currently analyzing the impact of the new rules on its 2011 results.

Although the environment for the U.S. wood-residue segment is still challenging, the initiatives described above made it possible for the segment to remain profitable in 2009 and 2010, despite the fall in selling prices and other constraints resulting from economic conditions.

SEASONAL FACTORS

(in thousands of dollars, except per share amounts and number of shares outstanding)

2010

<i>Quarters ended</i>	<i>March 31</i>	<i>June 30</i>	<i>September 30</i>	<i>December 31</i>
REVENUES FROM ENERGY SALES				
Wind power stations	11,413	9,230	7,802	17,479
Hydroelectric power stations	3,054	2,323	2,784	18,060
Wood-residue thermal power stations	30,216	22,896	28,072	24,173
Natural gas thermal power stations	6,321	2,279	3,438	13,324
	51,004	36,728	42,096	73,036
EBITDA				
Wind power stations	9,419	7,112	5,628	14,103
Hydroelectric power stations	1,873	1,182	1,473	14,401
Wood-residue thermal power stations	10,028	4,424	7,135	1,904
Natural gas thermal power stations	2,038	(106)	254	4,105
Corporate and eliminations	(5,726)	(7,370)	(3,639)	(4,272)
	17,632	5,242	10,851	30,241
NET EARNINGS (LOSS)				
Per share, basic and diluted, in dollars	0.04	(0.15)	0.72	0.01
Weighted average number of common shares outstanding (basic)	37,740,921	37,740,921	37,740,921	37,744,869

(in thousands of dollars, except per share amounts and number of shares outstanding)

2009

<i>Quarters ended</i>	<i>March 31</i>	<i>June 30</i>	<i>September 30</i>	<i>December 31</i>
REVENUES FROM ENERGY SALES				
Wind power stations	9,083	8,018	5,797	10,974
Hydroelectric power stations	2,760	2,842	1,779	2,948
Wood-residue thermal power stations	38,181	28,338	29,841	27,031
Natural gas thermal power station	7,174	2,558	2,259	5,196
	57,198	41,756	39,676	46,149
EBITDA				
Wind power stations	7,215	6,242	4,247	9,085
Hydroelectric power stations	1,709	1,785	301	1,743
Wood-residue thermal power stations	11,803	8,148	10,685	9,359
Natural gas thermal power station	1,511	(145)	(126)	915
Corporate and eliminations	(1,286)	(3,088)	(3,662)	(9,117)
	20,952	12,942	11,445	11,985
NET EARNINGS				
Per share, basic and diluted, in dollars	0.19	0.05	0.02	0.39
Weighted average number of common shares outstanding (basic)	37,740,921	37,740,921	37,740,921	37,740,921

Operations and results for some of the Corporation's power stations are subject to seasonal cycles and other cyclical factors that vary by segment. However, the impact of seasonal variations differs, depending on whether the power stations have power sales contracts or not. For the 37 Boralex facilities that have long-term fixed-price power sales contracts, seasonal cycles mainly affect the volume of power generated. The nine Boralex power stations that do not have long-term contracts and that sell their power on the open market in the Northeastern U.S. are more vulnerable to seasonal fluctuations which, in addition to influencing power production volumes, also have an impact on prices obtained. Moreover, the price of natural gas, which is highly volatile, has a significant influence on electricity selling prices in the Northeastern U.S.

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

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

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

Hydroelectric: The power production of Boralex's 15 power stations 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 represent Boralex's second and fourth quarters. Historically, water flow tends to decrease in winter and summer. Note that apart from the three hydroelectric power stations whose water flow is regulated upstream, Boralex's hydroelectric facilities do not have reservoirs that would permit water flow regulation during the year. Also, an agreement in principle was entered into with Hydro-Québec for renewing the power sales contract of the East Angus power station for an additional period of 20 years under advantageous conditions.

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

Natural gas: Steam production of the two natural gas cogeneration power stations located in France and in Québec is covered by power sales contracts, and in addition, is quite stable from quarter to quarter, as it is driven by client demand, which is relatively predictable and steady. Moreover, the Kingsey Falls power station in Québec recently entered into two advantageous hedging contracts for a two-year period to index the selling price of its steam production and fix its natural gas purchase price. The French natural gas cogeneration power station's long-term power sales contract with 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 operates its cogeneration equipment only during the five months from November to March.

Management expects the integration of the Fund's assets to have a stabilizing and therefore beneficial impact relating to seasonal changes that could affect the Corporation's performance as all of the Fund's power stations have long-term power sales contracts that shield them from seasonal price cycles. This acquisition will also increase the hydroelectric segment's relative share of Boralex's production, thereby heightening its seasonal patterns. Note also that, under Boralex's strategic plan, the wind sector is expected to become the Corporation's largest and most geographically diversified segment. With the commissioning of the wind farms currently under development in Canada, the Corporation's wind power segment will represent over 500 MW of installed capacity by the end of fiscal 2015, excluding projects under development and possible acquisitions of already operational assets.

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

To sum up, although Boralex's performance is affected by seasonal cycles and other cyclical factors, their impact is mitigated by the increasing proportion of revenues from fixed-price and price-indexed contracts, the growing diversification of its power generation sources and its geographic positioning. These factors will be strengthened significantly by the acquisition of the Fund and Boralex's wind power expansion strategy. To mitigate its vulnerability to seasonal cycles and other cyclical factors, the Corporation is also using hedging instruments to hedge prices and developing complementary revenue streams in order to increase and secure revenues or to reduce costs. For example, Boralex participates in the REC market and the Forward Capacity Market in the U.S., and in the carbon dioxide ("CO₂") quota trading and green certificate markets in France.

SELECTED CONSOLIDATED INFORMATION FOR THE QUARTERS AND YEARS ENDED DECEMBER 31, 2010 AND 2009

(in thousands of dollars, except per share amounts and number of shares)	Quarters ended		Years ended	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
REVENUES FROM ENERGY SALES				
Wind power stations	17,479	10,974	45,924	33,872
Hydroelectric power stations	18,060	2,948	26,221	10,329
Wood-residue thermal power stations	24,173	27,031	105,357	123,391
Natural gas thermal power stations	13,324	5,196	25,362	17,187
	73,036	46,149	202,864	184,779
EBITDA				
Wind power stations	14,103	9,085	36,263	26,789
Hydroelectric power stations	14,401	1,743	18,929	5,538
Wood-residue thermal power stations	1,904	9,359	23,491	39,995
Natural gas thermal power stations	4,105	915	6,291	2,155
Corporate and eliminations	(4,272)	(9,117)	(21,008)	(17,152)
	30,241	11,985	63,966	57,325
ADJUSTED EBITDA⁽¹⁾				
Wind power stations	14,103	9,085	36,263	26,789
Hydroelectric power stations	14,401	1,743	18,929	5,538
Wood-residue thermal power stations	1,904	9,359	23,491	39,995
Natural gas thermal power stations	4,105	915	6,291	2,155
Corporate and eliminations	(4,272)	(3,493)	(15,388)	(12,248)
	30,241	17,609	69,586	62,229
NET EARNINGS				
	458	14,712	23,100	24,439
Per share, basic and diluted, in dollars	0.01	0.39	0.61	0.65
ADJUSTED NET EARNINGS (LOSS)⁽¹⁾				
	1,122	4,979	(1,087)	14,224
Per share, basic and diluted, in dollars	0.03	0.13	(0.03)	0.38
Weighted average number of common shares outstanding				
(basic)	37,744,869	37,740,921	37,741,916	37,740,921

(1) See *Additional Information about Non-GAAP Performance Measures* for information on these specific items.

ADDITIONAL INFORMATION ABOUT NON-GAAP PERFORMANCE MEASURES

In order to assess the performance of its assets and reporting segments, Boralex uses EBITDA, adjusted EBITDA, adjusted net earnings and cash flows from operations as performance measures. Although not performance measures under GAAP, management believes that these measures are widely accepted financial indicators used by investors to assess the performance of a company and its ability to generate cash through operations.

Nevertheless, since these measures are not defined under GAAP, they may not be comparable to similarly named measures used by other companies.

Investors should not view EBITDA as an alternative measure to, for example, net earnings, or as a measure of operating results or cash flows, or as a parameter for measuring liquidity. In Boralex's consolidated statement of earnings, EBITDA corresponds to *Operating income*.

The following table reconciles EBITDA to net earnings:

(in thousands of dollars)	Quarters ended		Years ended	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
Net earnings attributable to shareholders	458	14,712	23,100	24,439
Non-controlling interests	478	46	201	102
Income taxes (recovery)	(1,923)	(1,280)	(12,738)	4,470
Gain on dilution	–	(13,865)	–	(13,865)
Gain on sale of subsidiary	–	–	(774)	–
Net gain on deemed disposal of investment in the Fund	948	–	(15,130)	–
Financing costs	11,026	3,497	24,104	13,727
Net loss on financial instruments	372	929	247	923
Foreign exchange loss	2,736	1,271	4,298	1,473
Amortization	16,146	6,675	40,658	26,056
EBITDA	30,241	11,985	63,966	57,325

Cash flows from operations are equal to cash flows related to operating activities before change in working capital. Management uses this measure to assess cash flows generated by the Corporation's operations and its capacity to finance its expansion through those funds. In light of the seasonal nature of the Corporation's operations and development activities, changes in non-cash working capital items can vary considerably. In addition, development activities result in significant changes in accounts payable during the construction period, as well as an initial injection of working capital at project start-up.

Trade accounts receivable can also vary significantly when the Corporation qualifies for entry into new renewable energy markets. Accordingly, the Corporation deems it preferable not to integrate changes in working capital in this performance measure.

Investors should not consider cash flows from operations as an alternative measure to cash flows related to operating activities, a measure consistent with GAAP.

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

	<i>Quarters ended</i>		<i>Years ended</i>	
	<i>December 31,</i>	<i>December 31,</i>	<i>December 31,</i>	<i>December 31,</i>
(in thousands of dollars)	2010	2009	2010	2009
Cash flows related to operating activities	19,176	24,589	42,367	60,786
Cash flows provided by change in non-cash working capital items	(5,998)	(13,259)	(5,417)	(13,373)
CASH FLOWS FROM OPERATIONS	13,178	11,330	36,950	47,413

The following table reconciles EBITDA and net earnings (loss) as reported in the financial statements with adjusted EBITDA and net earnings (loss):

	<i>Quarters ended</i>		<i>Years ended</i>	
	<i>December 31,</i>	<i>December 31,</i>	<i>December 31,</i>	<i>December 31,</i>
(in thousands of dollars)	2010	2009	2010	2009
EBITDA	30,241	11,985	63,966	57,325
Specific items:				
Share of Boralex in impairment of property, plant and equipment at a power station owned by the Fund	–	5,624	5,620	5,624
Gain on disposal of investment in subsidiary	–	–	–	(720)
Adjusted data	30,241	17,609	69,586	62,229
NET EARNINGS (LOSS)				
(in thousands of dollars)	2010	2009	2010	2009
Net earnings	458	14,712	23,100	24,439
Specific items*:				
Share of Boralex in impairment of property, plant and equipment at a power station owned by the Fund	–	4,132	4,136	4,132
Costs incurred in connection with the offer to acquire the Fund	664	–	4,291	–
Amortization of balance of deferred financing costs under initial financing for Phase I of Thames River	–	–	1,915	–
Gain on sale of subsidiary/investment in subsidiary	–	–	(519)	(482)
Gain on dilution	–	(13,865)	–	(13,865)
Net gain on deemed disposal of investment in the Fund	–	–	(21,260)	–
Reversal of future income taxes related to takeover of the Fund	–	–	(12,750)	–
Adjusted data	1,122	4,979	(1,087)	14,224

* Impact net of income taxes

ANALYSIS OF OPERATING RESULTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

The following table shows major changes in net earnings:

	<i>Net earnings (in millions of dollars)</i>	<i>Per share (in \$, basic)</i>
YEAR ENDED DECEMBER 31, 2009	24.4	0.65
Impact of operations of the Fund as of September 15, 2010	0.4	0.01
<i>Data pertaining to Boralex:</i>		
Change in EBITDA	(8.7)	(0.23)
Amortization	(7.6)	(0.20)
Foreign exchange loss	(1.7)	(0.05)
Net gain on financial instruments	0.7	0.02
Financing costs	(8.1)	(0.21)
Gain on dilution	(13.9)	(0.37)
Net gain on deemed disposal of investment in the Fund	15.1	0.40
Gain on sale of subsidiary	0.8	0.02
Income taxes	21.9	0.58
Non-controlling interests	(0.2)	(0.01)
YEAR ENDED DECEMBER 31, 2010	23.1	0.61

For the year ended December 31, 2010, Boralex reported net earnings totalling \$23.1 million or \$0.61 per share (basic and diluted) compared with \$24.4 million or \$0.65 per share (basic and diluted) in 2009.

As discussed in the table on page 16 of this MD&A, net earnings for fiscal 2010 include the following non-recurring specific items:

- An after-tax net gain of \$17.0 million representing the increase in value realized by Boralex on the carrying amount of the initial 23% interest that it held in the Fund compared with the purchase price of the trust units set out in the Offer, net of costs totalling \$4.3 million (after taxes) incurred to carry out the transaction;
- A \$12.8 million income tax recovery related to the initial 23% interest that Boralex held in the Fund;
- The \$4.1 million after-tax share (\$5.6 million before tax) of Boralex in the impairment charge against property, plant and equipment at the Dolbeau power station recorded by the Fund in the first and third quarters of fiscal 2010 due to significant changes in this power station's operating environment;
- The amortization amounting to \$1.9 million net of taxes of the entire balance of the deferred financing costs related to the initial financing of Phase I of the Thames River wind power station in Ontario, arising from the new overall financing secured in March 2010 for the two Thames River phases; and
- A \$0.5 million net gain on the disposal of the Bel Air wind power station in France.

Net earnings for fiscal 2009 included non-recurring specific items totalling a positive net amount of \$10.2 million, consisting of a \$13.9 million net gain on dilution representing the increase in value on Boralex's initial investment in its European operations on the first capital injection by its partner Cube, a \$0.5 million net gain on disposal of an investment in a subsidiary and a negative net amount of \$4.1 million representing Boralex's share in the impairment charge on property, plant and equipment at the Dolbeau power station recognized in 2009.

Excluding the specific items for fiscal 2010 and 2009, Boralex recognized an adjusted net loss of \$1.1 million or \$0.03 per share (basic and diluted) in 2010 compared with adjusted net earnings of \$14.2 million or \$0.38 per share (basic and diluted) in 2009. This unfavourable change of \$15.3 million or \$0.41 per share (basic) in adjusted net earnings (loss) resulted from the following main items:

- An \$8.0 million decline in adjusted EBITDA generated by Boralex's operations (of which \$1.5 million was attributable to the decrease in Boralex's share of the Fund's earnings prior to September 15, 2010);
- A \$7.6 million increase in amortization expense arising in large part from the significant expansion in Boralex's wind power segment in Canada and France as of the fourth quarter of 2009;
- A \$5.4 million increase in financing costs arising primarily from new debt contracted in connection with the Corporation's various wind power development projects and from the issuance of convertible debentures on September 15, 2010; and
- A \$1.0 million total net loss on foreign currency translation and financial instruments.

Conversely, the acquisition of the Fund resulted in a \$0.4 million positive contribution from September 15 to December 31, 2010 and a \$3.9 million reduction in income tax expense.

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

<i>(in millions of dollars)</i>	<i>Revenues from energy sales</i>	<i>EBITDA</i>
YEAR ENDED DECEMBER 31, 2009	184.8	57.3
Impact of operations of the Fund as of September 15, 2010	30.2	15.4
<i>Data pertaining to Boralex:</i>		
Power stations commissioned	19.8	16.5
Pricing	(3.6)	(3.6)
Volume	(4.4)	(3.3)
RECs and green certificates	(3.8)	(3.9)
Capacity premiums	(0.7)	(0.7)
Translation of self-sustaining subsidiaries	(19.8)	(7.3)
CO ₂ quota	–	(0.5)
Renewable energy tax credits	–	(12.6)
Raw material costs	–	9.0
Maintenance	–	0.9
Boralex Power Income Fund – change in results before September 15, 2010	–	(1.8)
Development expenses – prospecting	–	0.3
Other	0.4	(1.7)
YEAR ENDED DECEMBER 31, 2010	202.9	64.0

REVENUES FROM ENERGY SALES

Revenues from energy sales for fiscal 2010 totalled \$202.9 million compared with \$184.8 million for fiscal 2009. Excluding the Fund's \$30.2 million contribution for three and a half months of fiscal 2010, revenues at Boralex's power stations fell \$12.1 million or 6.5% to \$172.7 million.

Note that the Canadian dollar's appreciation against the US dollar and the euro had a \$19.8 million unfavourable impact on revenues at Boralex's power stations compared with the previous year. Accordingly, at constant exchange rates, Boralex would have reported a 4.2% increase in revenues, owing primarily to \$19.8 million in additional revenues from the new wind power stations with an installed capacity totalling over 143.5 MW commissioned in Canada and Europe from December 8, 2009 and December 31, 2010, and to a lesser extent, to the full contribution of the Ocean Falls hydroelectric power station in British Columbia acquired in April 2009. The contribution of these new assets more than offset the following unfavourable items (excluding foreign exchange changes):

- The \$4.4 million unfavourable impact of lower production at existing power stations arising primarily from a decision to scale back production at certain wood-residue power stations prompted by low selling prices, and of less favourable wind conditions in France than in 2009;
- The \$3.6 million adverse impact of the reduction in Boralex's average selling price owing primarily to weak electricity selling prices in the Northeastern U.S. open market and the fact that the wood-residue segment had exhausted most of the benefits it enjoyed in 2009 under electricity price financial swaps entered into in 2008;
- A \$3.8 million decrease in sales of RECs and green certificates; and
- A \$0.7 million decrease in capacity premiums.

Excluding the Fund's power stations, Boralex generated a total of 1,726,163 MWh of electricity in fiscal 2010 compared with 1,574,874 MWh in fiscal 2009. This 9.6% increase in production volume resulted mainly from the commissioning of new wind power stations.

OTHER INCOME

Other income from sources other than revenues from energy sales totalled \$1.9 million in 2010 compared with \$5.8 million in the previous year. The decline resulted from the following:

- The consolidation of the results of the Fund as of the September 15, 2010 takeover date, which eliminated the *Share in earnings of the Fund* and *Management revenues from the Fund* line items as of that date; and
- A \$1.3 million decrease in *Other income*, owing primarily to the recognition in the first quarter of fiscal 2009 of a \$0.7 million gain on disposal of an investment in a subsidiary and the recognition of higher excess CO₂ quota sales at the natural gas power station in France in 2010 than in 2009.

EBITDA

Consolidated EBITDA for fiscal 2010 amounted to \$64.0 million compared with \$57.3 million for fiscal 2009. Excluding the non-recurring specific items for fiscal 2010 and 2009, consisting of Boralex's \$5.6 million pre-tax share in the impairment charges against property, plant and equipment at the Dolbeau power station recognized in each of the two fiscal years and a \$0.7 million pre-tax gain on disposal of investment in fiscal 2009, adjusted EBITDA was \$69.6 million in 2010, up \$7.4 million or 11.9% from \$62.2 million in 2009.

The Fund's earnings were consolidated in Boralex's results from September 15 to December 31, 2010, boosting consolidated EBITDA by \$15.4 million. However, prior to September 15, 2010, a \$1.8 million unfavourable change was recognized in Boralex's share in the earnings of the Fund. As a result, net growth in the Fund's contribution to Boralex's EBITDA was \$13.6 million for fiscal 2010.

Excluding the Fund for all of fiscal 2010, adjusted EBITDA attributable to Boralex declined \$6.9 million, owing in large part to the \$7.3 million negative effect of changes in exchange rates between Canada's currency and the US dollar and euro. At constant exchange rates, Boralex's profitability was slightly better than in 2009 despite tougher business conditions for the wood-residue segment in the United States. Annual EBITDA particularly benefitted from the following:

- Growth of \$16.5 million in contribution to EBITDA driven by the Corporation's new wind power stations;
- A \$9.0 million reduction in raw material costs, consisting of savings of \$8.3 million in wood-residue costs at the U.S. thermal power stations and \$0.7 million in natural gas costs at the natural gas cogeneration power station in France;
- A \$0.9 million decrease in maintenance costs; and
- A \$0.3 million decrease in development and prospecting costs.

The above items nearly sufficed to completely offset the following unfavourable factors, which primarily impacted the wood-residue segment:

- A \$12.6 million shortfall related to the December 2009 termination of the U.S. renewable energy tax credits program;
- A \$3.9 million decrease in sales of RECs and green certificates;
- A \$3.6 million shortfall resulting primarily from lower electricity selling prices in the U.S. market, particularly in the first half of the year, and the recognition of fewer benefits under forward contracts to sell electricity entered into in 2008 which boosted wood-residue segment performance in fiscal 2009;
- A \$3.3 million unfavourable net volume effect, coupled with a \$0.7 million decline in capacity premiums; and
- The \$2.2 million net adverse effect of a set of less significant factors, including lower excess CO₂ quota sales by our natural gas cogeneration power station in France.

AMORTIZATION, FOREIGN EXCHANGE LOSS, NET LOSS ON FINANCIAL INSTRUMENTS AND FINANCING COSTS

Amortization expense for fiscal 2010 totalled \$40.7 million compared with \$26.1 million in fiscal 2009. Excluding \$7.0 million in amortization expense related to the Fund's power stations for the three and a half months of fiscal 2010, Boralex's amortization expense rose \$7.6 million due to wind power expansion projects in previous quarters, particularly a full year of operation at Phase 1 of the Thames River power station commissioned from December 2009 to January 2010 and the commissioning of an additional 53.5 MW in wind power capacity in France from February to October 2010. However, the increase in amortization expense was offset by the beneficial effect on the amortization expense of U.S. and European assets of the strengthening of Canada's currency against the US dollar and the euro compared with fiscal 2009.

Boralex reported a \$4.3 million foreign exchange loss, up from \$1.5 million in the previous year, resulting from higher transfers of funds to Canada from its U.S. operations in 2010 than in 2009. The Corporation also posted a \$0.2 million net loss on

financial instruments in 2010 compared with a \$0.9 million net loss in 2009. The adverse net change in these two items amounted to \$2.1 million. *Net loss on financial instruments* consists mainly of the ineffective portion of derivative financial instruments. Although all of the financial instruments used by Boralex are highly effective, they always include a small ineffective portion. Generally, if the change in derivative instruments is favourable to Boralex, it gives rise to a favourable ineffective amount. Conversely, when the change in derivative instruments is unfavourable to Boralex, it gives rise to an unfavourable ineffective amount.

Financing costs totalled \$24.1 million in 2010, or \$22.7 million excluding the Fund, compared with \$13.7 million for the previous year. Our 2010 costs include a pre-tax amount of \$2.7 million representing the amortization of the balance of deferred financing costs under the former financing arrangement for Phase I of the Thames River site, which was refinanced in the first quarter. Our 2009 financing costs included \$4.4 million in costs related to the U.S. renewable energy tax credits monetization program which ended in December 2009.

Excluding these three items, financing costs rose \$10.7 million owing to new debt contracted over the past 12 months in connection with the Corporation's various development projects and to the issuance of convertible debentures in the third quarter of fiscal 2010. However, higher financing costs were offset by debt repayments over the past 12 months and the favourable effect of the strengthening of the Canadian dollar on interest expense for euro-denominated debt, which accounted for 73% of Boralex's total debt at the beginning of fiscal 2010 (40% as at December 31, 2010).

NET GAIN ON DEEMED DISPOSAL OF INVESTMENT IN THE FUND

On takeover of the Fund effective September 15, 2010, Boralex reported a \$15.1 million gain (\$21.3 million before deduction of transaction costs). This gain represents the increase in value realized on the carrying amount of Boralex's initial 23% interest in the Fund compared with the purchase price of \$5.00 per trust unit under the Offer tendered by Boralex. (For further details, please see note 4 to the consolidated financial statements as at December 31, 2010.)

GAIN ON SALE OF SUBSIDIARY

On March 31, 2010, Boralex generated a \$0.8 million gain on the sale of the subsidiary that owned the Bel Air wind farm in France. This wind farm was acquired in December 2009 as part of the transaction entered into by Boralex to acquire French wind power assets totalling 47 MW. The primary goal of this transaction was to integrate the Ronchois and Le Grand Camp sites, representing 40 MW, into Boralex's wind power portfolio. The Bel Air wind farm, with an installed capacity of 7 MW, was not a good fit with the Corporation's wind power development strategy in Europe. Management therefore viewed that the third party offer to purchase this site as a sound alternative for Boralex and its shareholders.

EARNINGS BEFORE INCOME TAXES AND NET EARNINGS ATTRIBUTABLE TO SHAREHOLDERS

In fiscal 2010, Boralex posted \$10.6 million in earnings before income taxes including the Fund's results for the three-and-a-half months, and a \$5.6 million loss before income taxes excluding those results, compared with \$29.0 million in earnings before income taxes in 2009. The Corporation reported a \$12.7 million income tax recovery compared with a \$4.5 million income tax expense the previous year, owing to the \$12.7 million income tax recovery mentioned earlier related to the takeover of the Fund. Given the various jurisdictions in which the Corporation currently operates and develops future power station projects, management expects Boralex's combined tax rate to range from 32% to 35% over a medium-term horizon. In the short term, however, Boralex's consolidated tax rate may vary significantly from period to period due to changes in results across its geographic operating areas.

Accordingly, Boralex ended fiscal 2010 with \$23.1 million in net earnings attributable to shareholders or \$0.61 per share (basic and diluted) compared with net earnings of \$24.4 million or \$0.65 per share (basic and diluted) in 2009. Excluding the favourable and unfavourable non-recurring specific items for the two corresponding periods, Boralex incurred an adjusted net loss of \$1.1 million or \$0.03 per share (basic and diluted) in 2010 compared with adjusted net earnings of \$14.2 million or \$0.38 per share (basic and diluted) in 2009.

To sum up, the acquisition of the Fund significantly contributed to Boralex's results for the three-and-a-half months of fiscal 2010. Excluding the Fund's contribution, specific items not related to current operations and the adverse impact of currency fluctuations, Boralex reported a slight year-to-date decline in EBITDA from power station operations despite less conducive business conditions than in 2009 and particularly challenging times for the wood-residue segment and wind conditions in France that were less favourable. The Corporation's performance was driven mainly by the commissioning of new wind farms. Bolstered by the integration of the Fund's ten power stations, the recent and ongoing expansion of the wind power segment should continue strengthening the Corporation's overall performance over upcoming quarters and for the next few years.

ANALYSIS OF SEGMENTED RESULTS FOR THE YEAR ENDED DECEMBER 31, 2010 SEGMENT BREAKDOWN



In fiscal 2010, the wind power segment accounted for 22.6% of Boralex's consolidated revenues from energy sales compared with 18.3% in 2009. The segment generated 42.6% of consolidated EBITDA before corporate expenses and intersegment eliminations compared with 36.0% in 2009. These increases resulted from growth in segment revenues and EBITDA of 35.4% and 35.1%, respectively, in fiscal 2010 compared with the same period of 2009, owing primarily to the recent expansion of its asset base in Canada and Europe.

The contribution of the hydroelectric power segment to Boralex's consolidated revenues rose to 12.9% in 2010 from 5.6% in 2009, while its share of consolidated EBITDA increased to 22.4% from 7.4% due mainly to the Fund's contribution and the pullback in the wood-residue segment – clear signs of the breadth and profitability of the hydroelectric assets acquired from the Fund. This segment's contribution, which more than tripled in size following the acquisition, is expected to be substantially higher throughout fiscal 2011.

The wood-residue segment generated 52.0% of Boralex's consolidated revenues, compared with 66.8% in 2009, and 27.6% of consolidated EBITDA compared with 53.7% in 2009. Aside from the significant growth in the wind power segment, these decreases resulted from declines in revenues and EBITDA from the wood-residue segment of 23.3% and 40.7%, respectively, excluding the Fund. These declines resulted mainly from currency fluctuations, termination of the U.S. tax credits program and lower average selling prices for electricity and RECs.

The natural gas segment's contribution to consolidated revenues was 12.5%, compared with 9.3% in 2009, while its share of consolidated EBITDA rose to 7.4% in 2010 from 2.9% in 2009. Excluding the contribution of the Kingsey Falls power station for the three-and-a-half months of 2010, the profitability of Boralex's natural gas power station capitalized in particular on lower raw material costs.

The acquisition of the Fund temporarily reduces the relative share of the wind power segment in favour of the hydroelectric power segment. However, this should not impact Boralex's overall EBITDA, given the high profit margins of the hydroelectric power stations formerly owned by the Fund. In the medium term, given the large wind power development currently under way, projects, the segment will regain its key role in the Corporation's results.

WIND POWER STATIONS

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

(in millions of dollars)	<i>Revenues from energy sales</i>	<i>EBITDA</i>
YEAR ENDED DECEMBER 31, 2009	33.9	26.8
Power stations commissioned ⁽¹⁾	19.0	16.0
Pricing	0.1	0.1
Volume	(2.3)	(2.3)
Translation of self-sustaining subsidiaries	(4.6)	(3.6)
Other	(0.2)	(0.7)
YEAR ENDED DECEMBER 31, 2010	45.9	36.3

(1) Construction of the Thames River site in Canada and three farms in France (Chasse Marée, Ronchois and Le Grand Camp), and expansion of French site Cham Longe.

OPERATING RESULTS

The results of the past year show the benefits of Boralex's strategy to expand the wind power segment, which notably became the Corporation's largest EBITDA generator in 2010.

Wind power segment revenues totalled \$45.9 million, up \$12.0 million, or 35.4%, over fiscal 2009. Excluding the \$4.6 million unfavourable impact resulting from the Canadian dollar's strengthening against the euro, segment revenues would have grown 49.0% in 2010, compared with 2009. This performance is almost entirely attributable to \$19.0 million in additional revenues generated by the new wind power facilities commissioned since December 2009 consisting of \$14.1 million from Canada and \$4.9 million from France. In chronological order, these are:

- The 40 MW Phase I of the Thames River site in Ontario commissioned in December 2009 and January 2010;
- The 4.5 MW expansion of the Cham Longe II wind farm in France effective February 2010;
- The 30 MW Ronchois wind farm in France commissioned in August 2010;
- The French wind power stations Le Grand Camp (10 MW) and Chasse Marée (9 MW) both commissioned in October 2010; and
- The gradual commissioning of the 50 MW Phase II at the Thames River site that saw 40 MW achieve commercial production between October 27 and December 31, 2010, and another 10 MW on January 27, 2011.

The contribution of Phase I of the Thames River project for an almost full 12-month period was the main thrust behind growth in wind power segment results in 2010. Note that all 90 MW of the Thames River assets capitalize on the benefits of the Advanced RESOP program, with a rate of \$131/MWh, including \$10/MWh from the federal ecoENERGY program. Furthermore, the utilization rates and performance of the equipment at Thames River to date have met or exceeded management's operational targets.

Conversely, the existing power stations in France saw an 8.6% decline in production volume in 2010 caused by wind conditions that were less favourable than in 2009 and were generally below average, particularly in the fourth quarter. This resulted in a \$2.3 million shortfall in wind power segment revenues for 2010. In all, despite the less favourable wind conditions in France, segment production totalled 377,392 MWh in 2010—of which almost 43% was generated at the new sites—compared with 235,418 MWh in 2009, for an increase of 60.3%.

In fiscal 2010, EBITDA for the wind power segment totalled \$36.3 million compared with \$26.8 million in 2009. This 35.4% increase includes the \$3.6 million adverse effect attributable to currency fluctuations and represents a 48.9% rise at constant exchange rates. This performance is primarily due to the commissioning of new sites that contributed \$16.0 million to segment EBITDA, made up of \$12.3 million from Canada, mainly from Phase I of Thames River, and \$3.7 million from France.

Average selling prices in France eased lower in the wake of a decline in France's consumer price index, to which electricity selling prices are tied. However, this was substantially offset by the increase in the average price obtained by Phase I of the Thames River site which was in its testing and fine-tuning period in December 2009. These price variations had a net favourable effect of \$0.1 million on EBITDA.

Last, various unfavourable factors combined impacted 2010 EBITDA by \$0.7 million, including lower green certificate sales and increases in certain expenses.

The segment's margin of EBITDA to revenues stood at 79.0% for 2010 compared with 79.1% for the previous year. This is substantially higher than the average EBITDA margin for Boralex's segments as a whole, which was 41.9% in 2010. Management sees Boralex's overall profit margin trending upward in step with increases in the wind power segment weighting in its product mix over the next few years as projects underway are completed.

RECENT EVENTS AND DEVELOPMENT PROJECTS

Currently, Boralex and its partners hold long-term power sales contracts for wind power projects totalling 391 MW, slated for commissioning between December 2013 and December 2015.

Development by the Consortium of the first two wind power projects at the Seigneurie de Beaupré totalling 272 MW is proceeding according to plan with a view to commissioning in December 2013. In fiscal 2011, the Consortium intends to finalize the main contracts with its suppliers and arrange financing. It also expects that a significant portion of the construction work on the foundations and the majority of the road work will be completed this year.

In addition, on November 19, 2010, the Consortium purchased the rights to a 69 MW project with a 20-year power sales contract with Hydro-Québec. The Consortium is defining the parameters of the future wind farm that will also be built on the Seigneurie de Beaupré site and slated for commissioning in December 2014. In addition to reaping the major benefits the site offers in terms of wind power, environmental conditions and existing infrastructures, the performance of the future farm will capitalize on the logistic synergies that will come into play during its construction and subsequent operation.

Still in reference to Québec, Boralex has partnered with two RCMs to submit proposals for wind power projects of 25 MW each in response to a request for proposals for the commissioning of wind power capacity of 250 MW from community projects. On December 20, 2010, both Boralex projects were among the 12 selected by Hydro-Québec. The first project, developed in partnership with the Témiscouata RCM, will be commissioned in December 2014. The second, in partnership with the Côte-de-Beaupré RCM, will be built on the Seigneurie de Beaupré property for commissioning in December 2015. As a result, within a few years, the exceptional Seigneurie de Beaupré site will boast a contracted installed wind power capacity of 366 MW owned by Boralex and its partners.

In Europe, Boralex is working on various wind power site acquisition and development projects, including a 20 MW project in Italy that could later be expanded from 20 MW to 40 MW.

OUTLOOK

At the beginning of fiscal 2010, Boralex's wind power segment had an installed and operating capacity of 108 MW in Europe and 40 MW in Canada for a total of 148 MW. That being said, Europe and Canada now have capacities of 161 MW and 90 MW, respectively, for a total of 251 MW. Boralex management expects that this more than 70% growth in the wind power segment's operational base in under a year will have a significant impact on the Corporation's results in 2011. In addition to the full contribution of the 40 MW Phase I of Thames River, where a portion of the assets were in a testing and fine-tuning period in early 2010, wind power segment performance will be boosted by:

- The 50 MW Phase II of the Thames River site for practically the whole of fiscal 2011 as opposed to a few weeks in 2010;
- The 30 MW Ronchois site for an additional six-month period over 2010;
- The Le Grand Camp and Chasse Marée sites, with a total of 19 MW, for an additional nine-month period; and
- The 4.5 MW expansion of Cham Longe for a month more than in 2010.

All of Boralex's wind power assets, in both Europe and Canada, enjoy long-term power sales contracts and favourable rates. In North America, in the next three fiscal years, the Corporation will focus on completing its five projects in Québec totalling 391 MW that include 366 MW at the Seigneurie de Beaupré, while actively seeking opportunities to acquire additional projects in various stages of development. In Europe, Boralex intends to fully capitalize on its agreement with Cube and in the next two years act on opportunities primarily in France and Italy to integrate wind power assets with additional installed capacity, operational or under development, of about 50 MW.

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

- The scale and quality of its projects with long-term sales contracts currently under development in Canada;
- Solid alliances it has entered into in Europe and North America to accelerate its development;
- Its growing reputation on world financial markets as a credible developer and operator of increasingly important wind power facilities; and
- Additional significant and predictable cash flows due to integration of the Fund's assets.

HYDROELECTRIC POWER STATIONS

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

(in millions of dollars)	<i>Revenues from energy sales</i>	<i>EBITDA</i>
YEAR ENDED DECEMBER 31, 2009	10.3	5.5
Impact of operations of the Fund as of September 15, 2010	16.1	13.4
<i>Data pertaining to Boralex:</i>		
Commissioning – Ocean Falls	0.8	0.4
Pricing	0.3	0.3
Volume	(0.4)	(0.4)
Translation of self-sustaining subsidiaries	(0.8)	(0.4)
Other	(0.1)	0.1
YEAR ENDED DECEMBER 31, 2010	26.2	18.9

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

HYDROELECTRIC PRODUCTION (MWH)*	Boralex		Fund		Combined	
	2010	2009	2010	2009	2010	2009
Quarters ended December 31	47,661	41,017	172,719	-	220,380	41,017
Years ended December 31 ⁽¹⁾	141,549	145,303	186,741	-	328,290	145,303
Quarterly historical average	36,689	34,735	124,221	-	160,910	34,735
Annual historical average	129,725	128,501	497,321	-	627,046	128,501

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

(1) Including Fund production in Boralex's results since its acquisition on September 15, 2010.

OPERATING RESULTS

Wind power segment performance for 2010 compared with 2009 highlights the three-and-a-half month contribution to the fiscal year of the Fund's seven power stations whose integration more than tripled Boralex's installed hydroelectric capacity.

For the year ended December 31, 2010, segment revenues totalled \$26.2 million compared with \$10.3 million for the previous year, with the \$16.1 million increase owing to the additional contribution generated by the Fund's power stations between September 15 and December 31, 2010. Excluding this amount, revenues generated by Boralex's existing hydroelectric power stations were marginally lower by \$10.1 million compared with the previous year. This is mainly attributable to the Canadian dollar's strengthening against the US dollar which had a \$0.8 million unfavourable impact on the revenues of Boralex's U.S. power stations translated into Canadian currency.

At constant exchange rates, Boralex's hydroelectric segment revenues, excluding the Fund, showed an increase of 5.8% over 2009. This resulted mainly from the contribution of the Ocean Falls power station in B.C. throughout 2010, compared with only nine months in 2009, which added \$0.8 million to segment revenues. Acquired on April 1, 2009, this power station currently operates 2 MW of a potential installed capacity of 14.5 MW. The growth in revenues at constant exchange rates also had a \$0.3 million favourable impact resulting from an increase of close to 8% in the average selling price obtained by the power stations in the U.S.

Conversely, excluding the Fund, Boralex's hydroelectric power station revenues felt a negative impact of \$0.4 million arising from a 2.6% decrease in production volume, which totalled 141,549 MWh in 2010 compared with 145,303 MWh in 2009. This decline is due to less favourable water flow conditions through the first nine months of fiscal 2010 compared with the same period of 2009, particularly in the Northeastern United States. However, as the previous table shows, Boralex's hydroelectric production in 2010 was about 9% higher than the annual historical average. It also indicates that the fourth quarter of 2010 generated a sharply higher production volume than the same period of 2009 and significantly higher than the historical averages, which substantially offset the production decline in the United States through the previous quarters.

Including Fund power stations, Boralex's production volume totalled 328,290 MWh in 2010, more than double the volume for 2009.

EBITDA for the hydroelectric power segment totalled \$18.9 million in fiscal 2010 of which \$13.4 million resulted from the contribution of the Fund power stations for a three-and-a-half month period. Excluding this amount, EBITDA of \$5.5 million for Boralex's power stations was comparable to 2009. However, excluding currency impact, EBITDA showed growth of more than 7% at constant exchange rates owing to the full contribution of the Ocean Falls power station, the increase in the average selling price at U.S. facilities and decreases in certain expenses. These factors more than offset the decline in production volume of the power stations in the United States.

Note that, excluding Fund power stations, the hydroelectric power segment's margin of EBITDA to revenues was 54.5% for all of fiscal 2010 compared with 53.3% in 2009. Including Fund power stations for the three-and-a-half months of 2010, segment EBITDA margin stood at 72.1%.

RECENT EVENTS

In February 2011, Boralex and Hydro-Québec signed an agreement in principle for renewing the power sales contract of the East Angus power station, with installed capacity of 2 MW, for an additional period of 20 years under advantageous conditions for Boralex. The previous contract for this power station was entered into in 1991 under Hydro-Québec's APR (limited request for proposals) and was due to expire at the end of 2010. This is Boralex's first long-term contract to successfully complete the renegotiation and renewal process with Hydro-Québec.

OUTLOOK

Integration of the Fund's seven hydroelectric power stations for the whole of fiscal 2011 will have a significant positive impact on the segment's results for the upcoming fiscal year. Below are some key elements that provide a basis for estimating their scope:

- For the whole of fiscal 2010, the Fund's hydroelectric power stations generated revenues of \$43.0 million, compared with the \$10.1 million from Boralex's power stations;
- During the same fiscal year, Fund power stations realized EBITDA of \$35.3 million, representing a profit margin of 82.1% to revenues compared with EBITDA of \$5.5 million and a profit margin of 54.5% for Boralex's power stations;
- Following acquisition of the Fund, hydroelectric segment installed capacity rose from 40 MW (of which 27 MW is currently in production) to 136 MW; and
- The portion of Boralex's installed capacity under long-term power sales contracts rose to 85% (representing 116 MW) from 48% (representing less than 20 MW).

That being said, Boralex is entering 2011 with a hydroelectric power base that is not only much larger, but also drives greater profit margins and more stable and predictable cash flows. The new profile will reduce the impact of economic conditions on segment results, in particular, fluctuations in open market selling prices in the United States which closely follow the price of natural gas.

Given the quality of the assets and the ongoing maintenance program at all of the power stations that are now part of Boralex's hydroelectric power segment, there is no indication that production will not be in line with historical averages. In addition, Québec power stations will continue to benefit from contractual indexation under their energy sales contracts and from capacity premiums.

Boralex is seeking medium- and long-term opportunities to grow its hydroelectric segment, particularly in Québec and British Columbia.

WOOD-RESIDUE THERMAL POWER STATIONS

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

(in millions of dollars)	<i>Revenues from energy sales</i>	<i>EBITDA</i>
YEAR ENDED DECEMBER 31, 2009	123.4	40.0
Impact of operations of the Fund as of September 15, 2010	5.3	(0.2)
<i>Data pertaining to Boralex:</i>		
Pricing	(5.0)	(5.0)
Volume	(2.2)	(0.5)
RECs	(3.6)	(3.6)
Translation of self-sustaining subsidiaries	(12.2)	(3.6)
Capacity premiums	(0.7)	(0.7)
Renewable energy tax credits	-	(12.6)
Raw material costs	-	8.3
Maintenance	-	0.3
Other	0.4	1.1
YEAR ENDED DECEMBER 31, 2010	105.4	23.5

OPERATING RESULTS

In fiscal 2010, EBITDA for this segment totalled \$105.4 million compared with \$123.4 million in 2009. The two wood-residue power stations integrated as part of the acquisition of the Fund, namely the Dolbeau and Senneterre facilities, contributed revenues from energy sales of \$5.3 million during the three and half month period. Note that the Dolbeau cogeneration power station has not been selling steam since the permanent shutdown of the paper plant of its former client, AbitibiBowater ("ABI") on August 23, 2010.

Excluding the two facilities that belonged to the Fund, Boralex's wood-residue power stations, all located in the U.S., generated revenues from energy sales of \$100.1 million, down \$23.3 million or 18.9% from the previous year. The decline is partly due to the \$12.2 million unfavourable impact resulting from fluctuations in the Canadian and U.S. currencies. At constant exchange rates, revenues at Boralex's power stations would have slipped 9.0%. Apart from currency fluctuations, revenues were also affected by the following key unfavourable items:

- A \$5.0 million shortfall attributable to a 10.2% drop in the average electricity selling price (in US\$) for power stations in operation. The reasons for this shortfall, which mostly affected results in the first half of the year, are that the electricity price financial swaps entered into in 2008 were no longer generating any benefits in 2009 and prices were weak in the New England electricity market. Although slightly strengthening in the second half of 2010, market prices remained well below pre-2009 levels;
- A \$3.6 million decrease in REC sales to \$24.9 million for fiscal 2010, owing to a 28.1% drop (in US\$) in the average selling prices, as REC volume sold by Boralex increased by 21.5%;
- A \$2.2 million negative volume effect resulting from pricing as the production of 1,168,573 MWh remained comparable to that in 2009; and
- A \$0.7 million decrease in capacity premiums.

EBITDA for the wood-residue segment totalled \$23.5 million in fiscal 2010 compared with \$40.0 million in 2009. The Fund's power stations generated a negative EBITDA of \$0.2 million due to the situation at the Dolbeau facility. The \$16.3 million or 40.8% decline in EBITDA at Boralex's U.S. power stations was partly caused by the following main items:

- A \$12.6 million shortfall arising from the termination of the U.S. renewable energy tax credits program in December 2009;
- A \$5.0 million unfavourable effect of lower electricity market prices and the end of prior year benefits under forward sales transactions (electricity price financial swaps) with high prices entered into in 2008 ;
- A \$3.6 million unfavourable exchange rate effect;
- A \$3.6 million unfavourable effect of lower REC sales;
- A \$0.7 million decrease in capacity premiums; and
- A \$0.5 million unfavourable volume effect.

These factors were partly offset by a \$8.3 million decrease in raw material costs resulting mainly from the forest residue supply strategy implemented by Boralex in the U.S., savings generated between January 1, 2010 and April 30, 2010 under the BCAP that offer financial incentives to companies that collect and transform forest residues into energy, and lower transportation costs following a drop in fuel prices. The segment's EBITDA in 2010 was also bolstered by a \$0.3 million decrease in maintenance costs and other less significant favourable factors totalling \$1.1 million.

Excluding the Fund's power stations, the wood-residue segment's EBITDA margin stood at 23.7% of revenues, down from 32.4% in 2009, following the termination of the tax credits program in December 2009. Excluding this item, the EBITDA margin for fiscal 2009 would have stood at 22.3%, showing that Boralex's wood-residue segment maintained and even improved its operating profitability in 2010, despite more difficult market conditions.

RECENT EVENTS

On October 27, 2010, the United States Department of Agriculture issued new rules relating to the renewal of the BCAP that was introduced in December 2009 and suspended in April 2010. One of the changes under the new rules is the exclusion of certain raw materials that were allowed under the earlier version of the program. These restrictions do not have any impact on the capacity of Boralex's power stations to participate in the BCAP. The financial impacts are not easily quantifiable at present as the program duration will depend on the level of demand and the total funds allocated by the government. This information is not currently available. Efforts to cut the U.S. deficit could also affect program funding.

In January 2011, Boralex announced the renewal, as of March 1, 2011, of the Fort Fairfield (Maine) power station's power sales contract for a two-year period under similar terms and conditions. Boralex is also taking steps to obtain a sales contract for the Ashland (Maine) power station as the financial swaps have expired on February 28, 2011. In the event that sufficient conditions are not present to maintain a profitable operation, this power station will remain closed for an indefinite period of time.

To offset the difficult conditions experienced in the Québec forestry industry since 2006, which affect the stability of forest residue supplies for Québec power stations acquired from the Fund, the Senneterre facility recently completed a \$6.7 million investment program to install a system to recover and clean old bark piles and optimize their calorific value without damaging machinery. The power station has therefore secured sufficient raw material to ensure stable operations in 2011 while reducing costs at the same time.

In January 2010, a 35 MW wood-residue power station project developed jointly by Boralex, Pacific BioEnergy Corporation and TimberWest Forest Corporation was pre-selected under BC Hydro's Phase II Biomass Call request for proposals. If this project is selected, the power station will be built at Campbell River on Vancouver Island, B.C. Several conditions must be met prior to project execution, mainly winning a 25-year power sales contract with BC Hydro, securing a wood supply agreement for the same term with Boralex's partners and obtaining the required financing.

OUTLOOK

The addition of the Fund's two Canadian wood-residue power stations with an installed capacity of 63 MW to Boralex's six power stations with an installed capacity of 204 MW should not have a significant impact on segment performance given the uncertainty over the long-term prospects for the Dolbeau power station, which will increase the segment's contracted proportion of installed capacity from 18% to 37%. Integration of the Fund's two Canadian power stations will also provide the benefit of mitigating the impact of exchange rate fluctuations, which was particularly high in the past two years.

For information purposes, revenues and EBITDA at the Fund's wood-residue power stations for fiscal 2010 as a whole, excluding the Dolbeau power station's steam sales which were interrupted since April 2010, amounted to \$20.1 million and \$4.6 million, respectively, representing a 22.9% profit margin, compared with revenues and EBITDA at Boralex's wood-residue power stations of \$100.1 million and \$23.7 million, for a profit margin of 23.7%.

U.S. power stations

Boralex management remains cautious as to the short-term outlook for the U.S. power stations. Although electricity selling prices have been on the rise in the Northeastern U.S. open market for the past few months, the prevailing fragility of the U.S. economy remains worrisome. Moreover, natural gas prices remain low compared with recent years, resulting in continued pressure on electricity prices, with which they are closely correlated. Finally, the high value of the Canadian dollar against its U.S. counterpart, if it persists, will continue to curtail segment results. In line with its strategy, the Corporation will continue to adjust its wood-residue power output to market conditions, thereby ensuring some flexibility in managing costs. Furthermore, to partly fix the average selling price at its U.S. power stations, Boralex currently holds an electricity swap contract covering 35,400 MWh up to February 2011.

Boralex's management expects REC prices to improve over the coming quarters. As at February 22, 2011, Boralex has US\$7.2 million (\$7.2 million) in firm sales commitments for REC deliveries through December 31, 2012. Despite current economic conditions, Boralex's management believes that the REC market will provide an attractive source of recurring revenues and profits for its wood-residue segment in the coming years since legislation expects demand to increase annually without a matching increase in supply.

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

Canadian power stations

Boralex expects the Senneterre power station to maintain its performance, given, in particular, the investments made to secure raw material supplies. Meanwhile, difficulties in the Québec forestry industry are still affecting the Dolbeau power station, which no longer sells steam. This power station should be able to generate electricity for Hydro-Québec from November 2010 to April 2011, a period in which demand is at its peak and capacity premium payments are significant.

NATURAL GAS COGENERATION POWER STATIONS

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

(in millions of dollars)	<i>Revenues from energy sales</i>	<i>EBITDA</i>
YEAR ENDED DECEMBER 31, 2009	17.2	2.2
Impact of operations of the Fund as of September 15, 2010	8.8	3.4
<i>Data pertaining to Boralex:</i>		
Pricing	1.1	1.1
Volume	0.4	(0.1)
CO ₂ quota	-	(0.5)
Translation of self-sustaining subsidiaries	(2.2)	(0.2)
Natural gas costs	-	0.7
Other	0.1	(0.3)
YEAR ENDED DECEMBER 31, 2010	25.4	6.3

OPERATING RESULTS

The segment's revenues from energy and steam sales for fiscal 2010 totalled \$25.4 million compared with \$17.2 million for fiscal 2009. The Fund's Kingsey Falls power station in Québec contributed an amount of \$8.8 million to segment revenues over the last 3.5-month period. Boralex's Blendecques power station in France generated revenues of \$16.6 million for the full fiscal year, down \$0.6 million, or 3.5%, from \$17.2 million in 2009. However, excluding the negative impact of \$2.2 million due to the Canadian dollar's strengthening against the euro, revenues at the French power station would have risen 9.3% at constant exchange rates, resulting from the combined favourable impacts of higher steam selling prices and larger sales volumes of steam and electricity of \$1.1 million and \$0.4 million, respectively, on the power station's revenues.

Segment EBITDA stood at \$6.3 million, up \$4.1 million from \$2.2 million for fiscal 2009, with the Kingsey Falls power station accounting for \$3.4 million of this increase. The Blendecques power station generated EBITDA of \$2.9 million in fiscal 2010, up \$0.7 million or 31.8% from fiscal 2009 (up 40.9% at constant exchange rates). This performance was driven mainly by two factors, namely higher steam selling prices that contributed an additional amount of \$1.1 million to 2010 EBITDA as well as savings of \$0.7 million in raw material costs following lower natural gas prices in France. These items more than offset the \$0.5 million decline in sales of excess CO₂ quota and other less significant unfavourable items.

RECENT EVENTS

In 2010, the Kingsey Falls power station entered into two new financial instruments ("swaps"), one to fix the natural gas purchase price for the next two years and the other to index the selling price of steam sold to Cascades. These contracts are effective up to November 2012, the date at which the power station's power sales contract with Hydro-Québec expires.

OUTLOOK

Following the acquisition of the Fund, the combination of its 31 MW Canadian gas-fired power station with Boralex's 14 MW French power station will substantially boost segment revenues and profit margins in 2011. For information purposes, revenues and EBITDA at the Fund's Kingsey Falls power station for the full fiscal year ended December 31, 2010 amounted to \$29.3 million and \$12.4 million, respectively, representing a 42.3% profit margin, compared with revenues and EBITDA at Boralex's French natural gas power station of \$16.6 million and \$2.9 million, respectively, for a profit margin of 17.5%. The Kingsey Falls power station's sales agreement expires in December 2012.

French power station

Since 2005, due to market conditions, the power station has operated its cogeneration equipment for the five-month winter period only, that is, from November 1 to March 31. That is likely to be the case in 2011 as well. The Blendecques natural gas power station is nonetheless a stable source of profits and cash flows for Boralex. One reason is that fluctuations in its selling prices are generally offset by opposite fluctuations in raw material costs. Regarding the sale of CO₂ quota, management expects the French government to soon amend the rules governing the limits for CO₂ emission volumes for companies. Pending these amendments, the French power station prefers to keep its excess quotas.

Canadian power station

This power station's power sales contract with Hydro-Québec expires in December 2012. It is currently difficult to determine the likelihood of contract renewal or the terms and conditions that might be offered. When the time is right, management will evaluate the options available to this power station, based on the needs expressed by Hydro-Québec, particularly in respect of peak power during the winter period. The Kingsey Falls power station's steam sales contract also expires in 2012 and will have to be renegotiated, if necessary. Upon entering into the contract, the client chose an indexing method partially based on the price of certain oil products sold in Montréal. Given the significant volatility in oil prices over the past few years, the price of steam has fluctuated significantly. Boralex recently entered into a swap to partly fix the price of steam sold for the next two years.

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

ANALYSIS OF OPERATING RESULTS FOR THE FOURTH QUARTER ENDED DECEMBER 31, 2010

The following table shows major changes in net earnings:

	<i>Net earnings</i> <i>(in millions of dollars)</i>	<i>Per share</i> <i>(in \$, basic)</i>
QUARTER ENDED DECEMBER 31, 2009	14.7	0.39
Impact of operations of the Fund	0.8	0.02
<i>Data pertaining to Boralex:</i>		
Change in EBITDA	3.1	0.08
Amortization	(3.4)	(0.09)
Foreign exchange loss	(0.3)	(0.01)
Net loss on financial instruments	0.6	0.02
Financing costs	(5.6)	(0.15)
Gain on dilution	(13.9)	(0.37)
Net gain on deemed disposal of investment in the Fund	(0.9)	(0.03)
Income tax recovery	3.1	0.08
Non-controlling interests	(0.3)	-
QUARTER ENDED DECEMBER 31, 2010	(2.1)	(0.06)

Boralex reported a net loss of \$2.1 million or \$0.06 per share for the fourth quarter of fiscal 2010. The 2010 result includes a specific net unfavourable item of \$0.7 million (\$0.9 million before tax) representing expenses related to the acquisition of the Fund incurred in the fourth quarter, which were set off against the net gain on this transaction realized in the third quarter. Net earnings for fiscal 2009 included two specific items, namely the \$13.9 million gain on dilution realized in December 2009 when Cube made its first capital injection into Boralex's European operations and the Corporation's \$4.1 million (\$5.6 million before tax) share of the impairment charge against the property, plant and equipment at the Dolbeau power station recorded in the fourth quarter of the previous fiscal year.

Excluding the specific items for the two comparative quarters in fiscal 2010 and 2009, Boralex recognized an adjusted net loss of \$1.5 million or \$0.04 per share (basic) in the fourth quarter of 2010 compared with adjusted net earnings of \$5.0 million or \$0.13 per share (basic and diluted) in the same quarter of 2009. This unfavourable variance of \$6.5 million or \$0.17 per share (basic) in net adjusted earnings arises from three main items, namely a \$5.6 million increase in financing costs specific to Boralex related to its wind power segment development projects and the 2010 issuance of convertible debentures, a \$3.4 million increase in amortization expense and a \$2.5 million decrease in EBITDA (excluding the Fund). Conversely, the net results for the fourth quarter of fiscal 2010 benefited from the following favourable items:

- A \$4.3 million favourable variance arising from income tax recovery; and
- A \$0.8 million contribution made by the Fund to fourth quarter net earnings.

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

(in millions of dollars)	<i>Revenues from energy sales</i>	<i>EBITDA</i>
QUARTER ENDED DECEMBER 31, 2009	46.1	12.0
Impact of operations of the Fund	27.5	15.1
<i>Data pertaining to Boralex:</i>		
Power stations commissioned	8.8	7.3
Pricing	1.3	1.3
Volume	(4.5)	(2.1)
RECs and green certificates	(2.5)	(2.7)
Translation of self-sustaining subsidiaries	(3.1)	(1.4)
Renewable energy tax credits	-	(3.3)
Raw material costs	-	0.2
Boralex Power Income Fund ⁽¹⁾	-	4.6
Other	(0.6)	(0.8)
QUARTER ENDED DECEMBER 31, 2010	73.0	30.2

(1) Represents the following items in the statement of earnings: *Share in earnings of the Fund, Management revenues from the Fund* and the expense item *Management and operation of the Fund*.

REVENUES FROM ENERGY SALES

Revenues from energy sales totalled \$73.0 million for the three-month period ended December 31, 2010 compared with \$46.1 million for the same period of 2009. Excluding the Fund's \$27.5 million contribution, the revenues attributable to Boralex totalled \$45.5 million, down slightly by \$0.6 million or 1.3% from the previous year. Excluding the \$3.1 million unfavourable impact resulting from the Canadian dollar's strengthening against the euro and the U.S. currency, Boralex's revenues would have grown 5.4% at constant exchange rates. This resulted primarily from the following two factors:

- The commissioning of wind power facilities with a total installed capacity of nearly 143.5 MW between December 8, 2009 and December 31, 2010, which generated additional revenues of \$8.8 million, including \$5.3 million from Canada, particularly Thames River Phase I, and \$3.5 million from France; and
- Additional revenues of \$1.3 million arising from a 3.5% increase in the average selling price for all Boralex products, mainly for steam and electricity sold by the Blendecques cogeneration power station in France, and the average selling price at Thames River Phase I during its period of testing and fine-tuning in December 2009. The U.S. wood-residue power stations as well as the hydroelectric power stations also benefited from higher market selling prices.

On the downside, apart from the unfavourable impact of exchange rate fluctuations, Boralex's revenues for the fourth quarter were affected by the following two main factors:

- A \$4.5 million shortfall resulting from a decline in production volume at Boralex's existing power stations, which totalled 393,663 MWh in the fourth quarter of fiscal 2010 compared with 440,016 MWh in the same period of 2009. This 10.5% decline is attributable to the wood-residue segment and the wind power segment in France. First, Boralex voluntarily slowed down operations at its U.S. wood-residue power stations following weak market selling prices and took the opportunity to extend the fall maintenance work for some of these power stations. Second, France experienced extreme weather conditions in December 2010 with numerous episodes of icing making it more difficult to have access to some equipment, particularly in the Massif Central region. However, these factors were partly offset by an increase in Boralex's hydroelectric segment production of 16.2% and 29.9%, respectively, compared with the previous year and the historical average, arising from favourable water flow conditions, as well as the sound results of the Thames River Phase I wind power facility, which had been operating for more than one year; and
- A \$2.5 million decrease in sales of RECs and green certificates. For instance, REC market prices plunged 60.9% (in US\$) in the fourth quarter of 2010 from the same period in 2009. This decline was partly offset by a 26.0% rise in REC sales volumes, despite weak prices.

For information purposes, productivity in the fourth quarter of 2010 was sound for most of the Fund's power stations, particularly the hydroelectric power stations and the Senneterre thermal power station, which increased their production volumes by 17.3% and 24.7%, respectively, compared with the fourth quarter of 2009. As a result, the Fund's former power stations reported approximately 12.8% growth in revenues despite the suspension of steam production at the Dolbeau power station since August 2010.

Including Boralex's newly acquired power stations and the facilities commissioned over the previous 12 months, the Corporation generated a total production of 746,261 MWh in the fourth quarter of 2010, up 69.6% from 440,016 MWh in same quarter of 2009.

OTHER INCOME

The near absence of other income is explained by the consolidation, since September 15, 2010, the date at which the takeover became effective, of income that was previously received from the Fund. Other income of \$0.1 million recorded in the fourth quarter of 2010 represents management fees received from a third party.

EBITDA

Consolidated EBITDA (actual and adjusted) for the fourth quarter of 2010 amounted to \$30.2 million compared with adjusted EBITDA of \$17.6 million for the same period of 2009, excluding Boralex's share of the impairment charge recorded against property, plant and equipment at the Dolbeau power station in the fourth quarter of 2009. The \$12.6 million increase in adjusted EBITDA between the fourth quarters of 2009 and 2010 includes the Fund's contribution of \$15.1 million. The Fund's net contribution is \$14.1 million, after deducting the \$1.0 million contribution (excluding the 2009 specific item) recognized in the fourth quarter of fiscal 2009 under *Boralex's share in earnings of the Fund*. The Fund's results are now 100% consolidated with Boralex's results for the fourth quarter of 2010.

Excluding the Fund's net contribution of \$14.1 million to EBITDA, Boralex's adjusted EBITDA stood at \$16.1 million compared with \$17.6 million in 2009. Excluding the unfavourable \$1.4 million foreign exchange impact, Boralex's profitability would have been comparable to the previous year's performance. Boralex benefited from the following favourable factors:

- A \$7.3 million additional contribution to EBITDA from the Corporation's new wind farms. This performance augurs well for the coming quarters, especially since Thames River Phase II made only a very minimal contribution to fourth quarter results;
- A \$1.3 million additional contribution arising from the increase in selling prices discussed previously; and
- A \$0.2 million decrease in raw material costs.

The above favourable items almost fully offset the following unfavourable factors:

- The \$3.3 million shortfall resulting from the December 2009 termination of the U.S. renewable energy tax credits program;
- The \$2.7 million unfavourable impact of lower REC sales in the U.S. combined with slightly higher direct selling costs on those sales;
- A \$2.1 million unfavourable volume effect; and
- Various other less important items totalling \$0.8 million, including a decrease in capacity premiums.

Note that the strongest contribution to EBITDA was made by the Fund's hydroelectric power stations with a 10% increase in operating income compared with the fourth quarter of 2009. The Kingsey Falls natural gas cogeneration power station also made a solid contribution. On the downside, the two wood-residue thermal power stations made a marginally negative contribution of \$0.2 million as the earnings generated by the Senneterre power station did not fully offset the loss recorded by the Dolbeau power station. However, both power stations improved on their 2009 fourth quarter performance. Last, note also that the Fund's power stations generated a profit margin of 55.1% of their revenues compared with a profit margin of 33.2% for Boralex (excluding the Fund's results since September 15, 2010).

AMORTIZATION, FOREIGN EXCHANGE LOSS, NET LOSS ON FINANCIAL INSTRUMENTS AND FINANCING COSTS

The Corporation reported \$16.1 million in amortization expense for the fourth quarter compared with \$6.7 million in 2009. Excluding the \$6.1 million amortization expense related to the Fund's power stations, Boralex recorded a \$3.3 million increase in amortization expense owing to investments in previous quarters in the wind power segment, more specifically the commissioning of Phase I of Thames River and new wind power facilities in France. However, the increase in amortization expense was offset by the lower amortization expense of U.S. and European assets resulting from the year-over-year appreciation of Canada's currency against the US dollar and the euro.

Boralex reported a \$2.7 million foreign exchange loss for the quarter compared with a \$1.3 million loss last year. This foreign exchange loss was generated by the decrease in the net investment in U.S. subsidiaries when funds are repatriated to Canada. The Corporation also posted a net loss on financial instruments of \$0.4 million this year compared with a \$0.9 million net loss in 2009. The net unfavourable variance in these two elements works out to \$0.9 million.

Financing costs totalled \$11.0 million in the fourth quarter of 2010 (\$9.8 million excluding the assumed debts of the Fund) compared with \$3.5 million for the same period of the previous year. Financing costs for the fourth quarter of 2009 included a \$1.1 million amount related to the U.S. renewable energy tax credits monetization program which came to an end in December 2009. Excluding this factor as well as the Fund's results, Boralex's financing costs for the fourth quarter of 2010 rose \$7.4 million over the same period of 2009 following the issue of convertible debentures and new debt contracted by the Corporation over the past 12 months related to a number of its wind power development projects, particularly the commissioning of Phase I of the Thames River wind farm and new wind power stations in France. The increase in financing costs was partially offset by the positive impact of the Canadian dollar's strengthening on the interest expense on euro-denominated debt.

NET GAIN ON DEEMED DISPOSAL OF INVESTMENT IN THE FUND

In the fourth quarter of 2010, Boralex incurred additional costs of \$0.9 million before tax in connection with the acquisition of the Fund. These costs were set off against the net gain on this transaction realized in the third quarter.

EARNINGS BEFORE INCOME TAXES, INCOME TAXES (RECOVERY) AND NET EARNINGS ATTRIBUTABLE TO SHAREHOLDERS

In the fourth quarter, Boralex recorded a loss before income taxes of \$1.0 million, including the impact of the acquisition of the Fund and a loss before income taxes of \$7.0 million excluding the Fund's results since September 15, 2010. Boralex's own operations generated a loss before income taxes as the increase in EBITDA did not fully offset the increase in amortization expense and financing costs due to lower production volumes and certain other cyclical factors in the fourth quarter.

Boralex reported a \$1.9 million income tax recovery compared with a \$1.3 million income tax recovery for the fourth quarter of 2009. The variance between the two periods is explained by the distribution of earnings (losses) before income taxes among jurisdictions with different income tax rates as well as the non-taxable treatment of the gain on dilution in the fourth quarter of 2009.

As a result, Boralex ended the fourth quarter with net earnings attributable to shareholders of \$0.5 million or \$0.01 per share (basic and diluted) and adjusted net earnings of \$1.1 million or \$0.03 per share (basic and diluted). In comparison, for the fourth quarter of 2009, Boralex reported \$14.7 million in net earnings attributable to shareholders or \$0.39 per share (basic and diluted) and adjusted net earnings of \$5.0 million or \$0.13 per share (basic and diluted).

To sum up, in the fourth quarter of 2010, despite the Fund's positive contribution and a slightly higher EBITDA generated by Boralex's own operations compared with the previous year, the Corporation's net profitability was affected by higher amortization expense and financing costs resulting from the significant increase in its asset base over the year, combined with unfavourable cyclical factors, including extreme weather conditions experienced by the wind power segment in France and weak market conditions for the wood-residue segment in the U.S. The full contribution of Boralex's new wind power facilities starting in 2011 coupled with the contribution of the Fund's hydroelectric power segment will allow for a better absorption of fixed overheads and, thereby, improved profitability in the coming quarters.

ANALYSIS OF MAJOR CASH FLOWS FOR THE QUARTER AND YEAR ENDED DECEMBER 31, 2010

OPERATING ACTIVITIES

For the fourth quarter of fiscal 2010, the Corporation reported \$13.2 million or \$0.35 per share in cash flows from operations compared with \$11.3 million or \$0.30 per share for the same quarter of 2009. Excluding the non-monetary items in the two comparative periods, including the gain on dilution and renewable energy tax credits in 2009 as well as the amortization expense in the two years, the increase is attributable to the growth in EBITDA resulting mainly from the addition of the Fund's power stations, less the distributions received from the Fund in the previous year. The growth in adjusted EBITDA offset the increases in financing costs and income taxes payable. The change in non-cash working capital items generated \$6.0 million in cash flows (\$13.3 million in 2009). The variance is due to decreases in inventories and prepaid expenses, both by \$1.3 million, and a \$3.1 million increase in income taxes payable. The increase in accounts payable was offset by the decrease in accounts receivable. As a result, operating activities in the fourth quarter of 2010 generated cash flows totalling \$19.2 million, compared with \$24.6 million in the previous year.

For fiscal 2010, Boralex reported \$37.0 million or \$0.98 per share in cash flows from operations, compared with \$47.4 million or \$1.26 per share for 2009. The decrease is mainly attributable to the change in income taxes payable, costs incurred in connection with the offer to acquire the Fund and higher financing costs. The change in non-cash working capital items generated cash flows of \$5.4 million compared with \$13.4 million in 2009 as income taxes payable rose \$4.1 million while inventories and prepaid expenses decreased by \$1.7 million and \$0.8 million, respectively. The \$18.1 million increase in accounts receivable was partially offset by the \$17.0 million increase in accounts payable. Accordingly, operating activities generated cash flows of \$42.4 million in fiscal 2010 compared with \$60.8 million in fiscal 2009.

INVESTING ACTIVITIES

Investing activities in the fourth quarter of 2010 required net total cash flows of \$30.9 million (\$74.2 million in 2009), after deducting the utilization of a \$19.1 million portion of restricted cash for the development of Thames River II in Canada, other cash inflows totalling \$0.5 million relating mainly to repayments made by wood-residue suppliers on crushing equipment financed by Boralex. Investments in the fourth quarter of fiscal 2010 were mainly related to Boralex's ongoing wind and solar power projects. Details of investing activities are shown below:

- \$49.2 million used for the purchase of property, plant and equipment, including \$41.6 million in the wind power segment, mainly for the commissioning of Phase II of the Thames River site, \$4.6 million for the development of Boralex's first solar power station in France, \$2.6 million in the wood-residue segment primarily for the development of a new wood-residue handling and processing procedure at the Senneterre power station as discussed previously, with the balance amount allocated among the other segments; and
- \$1.3 million used for various development projects, primarily the Seigneurie de Beaupré projects.

In fiscal 2010, Boralex made net investments totalling \$241.4 million (\$156.1 million in 2009). Details of these investments are shown below:

- \$187.0 million used for additions to property, plant and equipment, including \$175.2 million in the wind power segment, of which \$105.1 million was used in Canada and the balance, in France, \$5.1 million in the solar power segment, \$5.0 million in the wood-residue segment and \$2.4 million in the hydroelectric segment;
- \$38.8 million in cash used to take over the Fund;
- \$2.1 million representing the balance of purchase price for the development rights for the Thames River wind power sites;
- A net amount of \$15.9 million allocated to restricted cash pertaining almost exclusively to the Phase II of the construction project at Thames River (50 MW) in Ontario; and
- \$2.0 million for various development projects, primarily the Seigneurie de Beaupré projects.

Conversely, Boralex received the following amounts:

- \$2.7 million consisting mainly of repayments made by wood-residue suppliers in respect of crushing equipment financed by the Corporation;
- \$0.9 million in proceeds on the disposal of the Bel Air wind farm in France; and
- \$0.9 million representing the change in restricted reserve, relating primarily to upgrades at the Ocean Falls power station.

As part of the transaction to acquire the Fund, the Corporation acquired 45% of the units of the Fund on September 15, 2010 for \$52.9 million in cash and \$79.3 million in convertible debentures. Boralex also acquired 4.5% of additional units on September 28, 2010 for \$5.3 million in cash and \$8.0 million in convertible debentures. Last, the remaining 27% of trust units were acquired on November 1, 2010 for \$32.4 million in cash and \$48.6 million in convertible debentures. In addition, at the effective date of the takeover, the Fund had a cash balance of \$19.4 million. Accordingly, the net consideration paid in cash totalled \$71.2 million (net of the Fund's cash balance of \$19.4 million). A portion of these disbursements amounting to \$32.4 million, incurred after the effective takeover date, is presented under *Financing Activities*.

FINANCING ACTIVITIES

Financing activities in the fourth quarter used net cash flows of \$36.5 million. Boralex repaid \$6.7 million on its long-term debt and made distributions in the amount of \$1.6 million to non-controlling unitholders of the Fund between October 1 and November 1, 2010, the date at which the purchase of all units was completed. Conversely, the Corporation increased its long-term debt and its bank loans and advances by a total amount of \$4.0 million and received proceeds of \$0.1 million from the issuance of shares following the exercise of stock options. Moreover, Boralex paid \$32.4 million to acquire the remaining 27% balance of the Fund's trust units that had not yet been tendered as of September 30, 2010, as mentioned previously.

In fiscal 2010, Boralex's financing activities generated net cash flows of \$254.6 million (\$75.7 million in 2009). In connection with the transaction to acquire the Fund, Boralex issued convertible debentures totalling \$245.2 million, including the over-allotment option exercised by the agents, of which an amount of \$109.3 million (\$103.9 million net of financing costs) represented the portion of the issue that had an impact on cash flows.

To fund its operations, Boralex increased its long-term debt by \$192.6 million, net of repayments on long-term debt made during the year. The Corporation also repaid \$12.1 million in bank loans and advances. Excluding the issuance of convertible debentures, most financing activities during fiscal 2010 were carried out under the March 2010 agreement entered into with a consortium of Canadian life insurance companies to finance Phase II (50 MW) of the Thames River wind power site and refinance Phase I (40 MW) already in operation. Total financing amounts to \$194.5 million, which represents approximately 74% of the total investment, including initial financing costs, interest payable during the construction period, working capital and contingencies. The loan is structured in two tranches, a \$186.0 million term loan earmarked for construction costs and an \$8.5 million revolving loan to cover potential temporary deficits resulting from the cash outflows required by the project. The increased financial leverage on Phase I of the project allowed Boralex to complete Phase II without adding any equity investment. The loan is amortized over a 21-year period at a rate of 7.05% for the full term. Boralex drew down \$186.0 million under this new financing since it was secured in March 2010.

In fiscal 2010, the Corporation also drew down \$78.4 million (€58.9 million) under its European credit facilities for the development and commissioning of the Cham Longe II, Ronchois, Le Grand Camp and Chasse Marée wind farms. On December 31, 2010, the €265 million master financing agreement entered into 2007 with BNP Paribas to finance wind power projects in France expired. As at December 31, 2010, under this financing agreement, Boralex owed an amount of €144.2 million (\$192.1 million), payable by 2022. The Corporation decided not to renew this facility in order to explore other financing options. In 2010, Boralex entered into a financing agreement for €15.6 million in connection with its solar power project in France and drew down an amount of \$3.2 million (€2.4 million) under this facility. Boralex also repaid \$5.0 million on the balance of the purchase price of the Ocean Falls hydroelectric power station, and continued to pay down its other loans on a regular basis. The balance of the purchase price of this power station amounting to \$9.0 million falls due in April 2011. The Corporation is reviewing its options for financing this amount.

In addition, the increase in non-controlling interests is explained by a new capital injection of \$5.7 million by Cube, the non-controlling shareholder in Boralex's European operations, increasing its interest from 16% to 20% in July 2010. Acquisitions of non-controlling interests consisted of \$32.4 million allocated to finalize the acquisition of 100% of the Fund's trust units and \$1.8 million to repurchase the minority interest in the Cham Longe II wind farm (4.6 MW) in France.

Lastly, fluctuations in the Canadian currency against the euro and the US dollar curtailed cash and cash equivalents by \$0.7 million in fiscal 2010. All the cash flows described above resulted in total net cash inflows of \$54.8 million. As a result, cash and cash equivalents totalled \$92.7 million as at December 31, 2010 compared with \$37.8 million as at December 31, 2009.

To sum up, cash flows in fiscal 2010 reflect the following:

- **Boralex’s capacity to generate significant cash flows from operations, which will be further strengthened following the acquisition of the Fund;**
- **Its ability to step up its leadership in renewable energy production in North America and Europe through the acquisition and development of high-quality energy assets, particularly in the wind and hydroelectric power segments and soon, in the solar power segment; and**
- **Its success in securing financing and completing its projects, which is a testament to their quality and demonstrates Boralex’s capacity to develop and deliver projects on schedule and on budget.**

These strengths will continue to enhance the Corporation’s financial health and flexibility, allowing it to achieve its strategic objectives in Europe and North America.

FINANCIAL POSITION AS AT DECEMBER 31, 2010

Changes in key balance sheet items between December 31, 2009 and 2010 primarily reflect:

- Consolidation of the Fund's balance sheet items subsequent to its takeover by Boralex on September 15, 2010;
- Acquisition financing for the Fund's units;
- Investing and financing activities related to wind power segment expansion; and
- Impact of fluctuations in Canada's currency relative to the US dollar and the euro.

A condensed extract of consolidated balance sheets is provided below:

As at December 31 (in millions of dollars)	2010	2009
ASSETS		
Current assets	203.5	89.1
Investment	–	55.5
Property, plant and equipment	810.7	413.6
Energy sales contracts	100.7	49.0
Goodwill	70.7	–
Other long-term assets	47.7	56.6
Long-term assets	1,029.8	574.7
	1,233.3	663.8
LIABILITIES		
Current liabilities	96.4	65.8
Long-term debt	479.5	206.1
Convertible debentures	220.8	–
Long-term lease accruals	3.0	–
Future income taxes	47.9	37.2
Fair value of derivative financial instruments	10.8	7.6
Long-term liabilities	762.1	250.9
	858.6	316.7
EQUITY ATTRIBUTABLE TO SHAREHOLDERS		
Capital stock	222.9	222.7
Equity component of convertible debentures	19.5	–
Contributed surplus	5.5	4.3
Retained earnings	184.7	159.9
Accumulated other comprehensive loss	(66.8)	(46.9)
	365.8	340.0
Non-controlling interests	8.9	7.1
Total equity	374.7	347.1
	1,233.3	663.8

ASSETS

As at December 31, 2010, Boralex reported total assets of \$1,233.3 million compared with \$663.8 million as at December 31, 2009, up \$569.5 million or 85.8%. The increase is mainly explained by the inclusion of the Fund's assets, which totalled \$365.2 million as at the takeover date. Boralex's current assets more than doubled between December 31, 2009 and 2010 to reach \$203.5 million at the end of fiscal 2010. Other than the inclusion of the Fund's current assets, this increase is due to the impact of the unused portion of the financing facility entered into in March 2010 on cash and cash equivalents, and restricted cash as at December 31, 2010, as well as the cash flows generated by Boralex since the beginning of fiscal 2010 and by the Fund's power stations since September 15, 2010. In addition, on January 26, 2011, in connection with its dispute with ABI, Boralex announced the receipt of 784,796 ABI shares. This compensation was paid following the partial settlement of a total claim of \$126.6 million that was negotiated down to \$82.9 million under ABI's C-36 process. A related amount of \$21.5 million was recorded under *Available-for-sale financial asset* in Boralex's balance sheet as at December 31, 2010. On February 1, 2011, Boralex sold these shares on the market for proceeds of \$20.8 million. Once all the claims filed by third parties against ABI are dealt with by the courts, Boralex could receive additional distributions in the form of shares.

Long-term assets were up \$455.1 million or 79.2% to \$1,029.8 million as at December 31, 2010, primarily as a result of additions to property, plant and equipment related to the commissioning of new facilities in the wind power segment, and the inclusion of the Fund's long-term assets.

WORKING CAPITAL

As at December 31, 2010, the Corporation's working capital amounted to \$107.1 million with a ratio of 2.11:1, compared with \$23.3 million and a ratio of 1.35:1 as at December 31, 2009. The higher working capital amount is due to increases in cash and cash equivalents, and restricted cash as discussed previously, coupled with the inclusion of the Fund's accounts receivable and the recording of a note receivable from ABI as mentioned above, all net of a \$30.6 million increase in current liabilities. Accounts payable and accrued liabilities, in particular, grew \$29.9 million as a result of amounts due to suppliers in connection with construction projects in the wind power segment and the inclusion of the Fund's accounts payable and accrued liabilities.

TOTAL DEBT AND SHAREHOLDERS' EQUITY

As at December 31, 2010, the Corporation's total debt, including the long-term debt and its current portion, bank loans and advances, and the liability component of convertible debentures, amounted to \$734.6 million compared with \$242.7 million as at December 31, 2009, owing to the following key items:

- The issuance of convertible debentures in connection with the Fund takeover transaction, whose liability component amounted to \$220.8 million as at December 31, 2010; and
- A net increase of \$283.2 million in long-term debt (including the current portion) resulting from financing for the Thames River wind power facility described in the previous section as well as the drawdowns under European credit facilities to finance the wind power projects in France, all net of debt repayments for the period. Also, the euro's weakening against the Canadian dollar between December 31, 2009 and 2010 resulted in a decrease of approximately \$19.3 million in Boralex's long-term debt in Europe. In this regard, note that 73% of Boralex's long-term debt as at December 31, 2009 was in Europe. Subsequent to the expansion of its wind power segment in Canada, this proportion was reduced to 40% as at December 31, 2010.

However, bank loans and advances decreased by \$12.1 million during fiscal 2010. Net of cash and cash equivalents and restricted cash, total net debt (excluding deferred financing costs) stood at \$626.0 million as at December 31, 2010 compared with \$204.9 million as at December 31, 2009. Moreover, total shareholders' equity increased by \$27.6 million between December 31, 2009 and 2010, from \$347.1 million to \$374.7 million. This increase was driven mainly by net earnings of \$23.1 million for fiscal 2010 and the equity component of convertible debentures amounting to \$19.5 million.

As a result, the total net debt to capitalization ratio, excluding convertible debentures (total net debt plus shareholders' equity) was 40.8% as at December 31, 2010, up from 37.8% as at December 31, 2009.

Based on Boralex's share price of \$8.11 as at December 31, 2010, the net debt to enterprise value ratio was 42.9% as at that date compared with 36.5% as at December 31, 2009 when the share price stood at \$9.70.

OUTLOOK

Apart from the contribution of the Fund's power stations, Boralex management expects the Corporation's operating results to grow in fiscal 2011, driven by recent expansion in the wind power segment. The outlook for Boralex's different operating segments for fiscal 2011 is discussed in detail under *Analysis of segmented results for the year ended December 31, 2010*. The outlook by segment as well as for the Corporation as a whole is summarized below.

WIND POWER SEGMENT

Installed and operating capacity in this segment grew 133% over the past 18-month period from 108 MW to 251 MW. Of this increase, nearly 100 MW were commissioned starting in August 2010. The full contribution of these assets, starting in 2011, will have a significant positive impact on Boralex's performance. Moreover, all these new wind power facilities, like the existing wind farms in operation, benefit from long-term power sales contracts at an average selling price in excess of Boralex's current average price.

In the medium term, Boralex will be working with partners on development projects totalling 391 MW in Québec, which are expected to be commissioned between 2013 and 2015. They all have long-term power sales contracts. In Europe, the partnership entered into with Cube in December 2009 will be leveraged over the next two fiscal years to expand the Corporation's wind power operations in France and certain other European countries, including Italy, as well as to develop other renewable energy sources, primarily solar power.

HYDROELECTRIC SEGMENT

The full impact of the integration of the Fund's seven power stations will be felt starting in fiscal 2011. The addition of these high quality assets has more than tripled the size of Boralex's hydroelectric segment and they all benefit from long-term power sales contracts, and have a solid track record in terms of profitability and cash flow generation. Also, the EBITDA margins of these power stations match those of the wind power segment. Their contribution will have a stabilizing impact on hydroelectric segment performance. The segment's contracted proportion of installed capacity increased from 48% to 85% and their results will be less exposed to fluctuations in the Canadian and U.S. currencies.

Leveraging its 20-year expertise in the field, Boralex plans to grow its hydroelectric segment over the medium term, particularly in British Columbia and Québec.

WOOD-RESIDUE THERMAL POWER SEGMENT

The inclusion of the Fund's two wood-residue power stations increased the segment's contracted percentage of installed capacity from 18% to 37%. However, management remains prudent as to the short-term outlook in light of the difficult business environment for wood-residue energy production, due in particular to the volatility of selling prices of electricity and RECs in the Northeastern U.S., as well as the difficulties in the Québec forest industry, which affect the Fund's power stations, specifically the Dolbeau facility.

Nonetheless, management is confident about the segment's longer term outlook. Under the performance optimization program completed in 2009, the segment succeeded in reducing risk exposures, lowering costs, developing sources of recurring revenues, ensuring a steady supply stream and positioning itself proactively to capitalize on U.S. legislation relating to the production of renewable energy, including the BCAP, which was renewed recently. As regards the REC market, despite current economic conditions, Boralex's management sees attractive potential through 2020 for recurring revenues and profits for its wood-residue segment.

For Canadian operations, although the Dolbeau power station is currently experiencing difficulties, management is considering various options, and investments made in the Senneterre power station to optimize raw material supplies are expected to stabilize performance.

The Corporation is participating with Pacific BioEnergy Corporation and TimberWest Forest Corporation in BC Hydro's Phase II Biomass Call under a joint tender for a 35 MW project in Campbell River on Vancouver Island, B.C. Several conditions must be met prior to project execution, such as winning the 25-year contract, securing a wood-supply agreement over the same term and obtaining the required financing.

NATURAL GAS THERMAL POWER SEGMENT

The combination of the Fund's 31 MW Canadian gas-fired power station with Boralex's 14 MW French power station will boost segment revenues and profits in the short term. The Kingsey Falls power station sales contract expires in 2012 and when the time is right Boralex will evaluate the options available, based on Hydro-Québec's future needs. For at least the next two years, Boralex will benefit from this facility's significant and stable contribution, especially since it recently entered into contracts to hedge steam selling prices and natural gas purchase prices through November 2012.

With respect to Boralex's French power station, regardless of market conditions, the facility is also a relatively stable source of profits and cash flows for Boralex, as fluctuations in its selling prices are offset by opposite fluctuations in its raw material costs, as experienced in the past two fiscal years.

SOLAR ENERGY SEGMENT

Boralex is currently working on the construction of a solar energy production facility in the south of France. The new facilities with potential installed capacity of 4.5 MW will use photovoltaic technology panels and the electricity generated will be sold to EDF under a 20-year contract. The Corporation will commission these assets around mid-2011.

Boralex is convinced of the potential of solar energy, particularly in Europe where this type of renewable power generation enjoys preferential sales rates. Furthermore, advances in solar technology in recent years have brought down the cost of solar technology equipment and improved performance. Boralex intends to replicate in the solar power segment the success it has achieved since 2002 in the wind power segment in France and possibly in Canada. Various projects are currently under consideration, including facilities totalling 40 MW in France.

OBJECTIVE: 1,000 MW OF CAPACITY

Following the acquisition of the Fund and the commissioning of new wind power facilities, Boralex will end fiscal 2010 with an installed capacity of 700 MW, of which 73% is covered by indexed long-term sales contracts. With more than 400 MW of projects currently under development with its partners, Boralex's strategic objective of 1,000 MW of operating/contracted capacity has been almost achieved.

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

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

CAPITAL STOCK INFORMATION

As at December 31, 2010, Boralex's capital stock consisted of 37,765,139 Class A shares issued and outstanding (37,740,921 as at December 31, 2009) and 2,451,244 convertible debentures. There were 1,547,696 stock options outstanding as at December 31, 2010, of which 879,077 were exercisable.

Between December 31, 2010 and March 11, 2011, no new shares were issued on exercise of stock options and no shares were repurchased in the normal course of business.

NORMAL COURSE ISSUER BID

On August 30, 2010, the Toronto Stock Exchange ("TSX") accepted the Corporation's notice of intention to carry out a normal course issuer bid ("Issuer Bid") from September 1, 2010 through August 31, 2011 in respect of its Class A shares. Shares purchased under the Issuer Bid will be cancelled.

Under the Issuer Bid, Boralex may repurchase up to 250,000 Class A shares, representing approximately 0.66% of the 37,740,921 then issued and outstanding Class A shares. Over the past 12 months, no Class A shares were repurchased by Boralex under the Issuer Bid.

Boralex's Class A shares had an average daily trading volume ("ADTV") of 40,003 on the TSX over the last six completed calendar months. Boralex is authorized to purchase up to 25% of the Class A shares ADTV on any trading day, which therefore amounts to 10,000 Class A shares. All repurchases will be made through the TSX in accordance with its requirements.

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

FINANCIAL INSTRUMENTS**MARKET RISK**

As at December 31, 2010, the Corporation had one electricity price financial swap for total deliveries of 35,400 MWh, ending on February 28, 2011. All electricity price financial swaps as at December 31, 2010 were designated as variable cash flow hedges related to future deliveries of electricity, and their favourable fair value amounted to \$0.7 million (US\$0.7 million).

In 2010, to stabilize its natural gas supply costs, the Corporation entered into a hedging contract to cover the natural gas needs of the Kingsey Falls power station from November 1, 2011 to November 30, 2012. This agreement covers the commodity price of the natural gas molecule and its delivery for 13 months. As at December 31, 2010, the unfavourable fair value of this contract amounted to \$2.5 million.

In 2010, to partially stabilize the selling price of steam produced by the Kingsey Falls power station, the Corporation entered into a hedging contract to fix the selling price index on 50% of the steam sold to Cascades. This contract is effective for two years, from December 1, 2010 to November 30, 2012. As at December 31, 2010, the unfavourable fair value of this contract amounted to \$0.1 million.

These contracts qualify for hedge accounting.

INTEREST RATE RISK

As at December 31, 2010, approximately 37% of the long-term debt issued bears interest at variable rates. A sharp increase in interest rates in the future could affect the liquid assets available for the Corporation's development projects. However, since the Corporation uses interest rate swaps, its exposure to interest rate fluctuations is reduced to only 4% of total debt. As at December 31, 2010, the nominal balance of these swaps stood at \$181.6 million (€136.3 million) while their unfavourable fair value was \$8.2 million (€6.2 million).

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

FOREIGN EXCHANGE RISK

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

Specifically, a proportion of the raw materials used in its wood-residue power stations in the United States are purchased with Canadian dollars. In this regard, in fiscal 2009, the Corporation entered into forward contracts to sell US\$0.2 million each for Canadian dollars with bi-weekly settlements at a weighted average rate of 1.1254 Canadian dollars for one US dollar up to February 17, 2011 to partially hedge purchases in Canadian dollars at its Fort Fairfield power station in the United States. The Corporation uses hedge accounting for these contracts such that the effective portion of gains and losses resulting from changes in fair value of these forward contracts is recognized in *Other comprehensive income loss*. Amounts are accumulated under *Other comprehensive income loss* until the hedged item is realized, namely the purchases of wood residue in Canadian dollars, at which date the amounts are transferred to net earnings by adjusting the carrying amount of purchases made in Canadian dollars during the period. Except for raw material purchases in Canadian dollars by U.S. power stations, the majority of other operating, investing and financing transactions are carried out in the power stations' local currencies.

In 2010, the Corporation entered into a forward contract to set an exchange rate of approximately C\$1.3848 per euro for an expected €5.0 million outlay in 2011 for turbine purchases at the Seigneurie de Beaupré site for which the supplier is also European. Hedge accounting was used for this foreign exchange contract with gains and losses resulting from the change in fair value of the effective portion of the hedging item included under *Other comprehensive income loss* until the date of purchase of the underlying capital assets. Their purchase cost will then be adjusted for such amount.

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

With regard to the Ontario Thames River wind power site, the turbine supplier is European, which means that purchases will be settled partly in euros, whereas the operation of these wind farms will generate cash flows in Canadian dollars. To protect the expected project return, the Corporation entered into forward contracts, setting exchange rates of approximately C\$1.4382 and C\$1.5372 per euro on all Phase I and Phase II turbine purchases, respectively. All of these contracts expired before December 31, 2010 and these amounts, totalling €3.6 million, are recognized in cash in the balance sheet.

RELATED PARTY TRANSACTIONS

Before acquisition of the Fund, the Corporation, through one of its wholly owned subsidiaries, was linked to the Fund under long-term management and administration contracts. For the period from January 1, 2010 to September 15, 2010, these management and administration agreements generated \$4.4 million (\$5.9 million in 2009), while Boralex's share of the Fund's results amounted to a loss of \$3.3 million (\$2.1 million in 2009). Lastly, Boralex received distributions from the Fund totalling \$4.5 million (\$9.6 million in 2009).

One of Boralex's power stations in France supplies steam to a French division of Cascades, which has significant influence over Boralex since it holds 35% of the Corporation's capital stock. For fiscal 2010, revenues from this division totalled \$10.2 million (\$10.1 million in 2009).

The Corporation also entered into a management agreement with an entity controlled by Bernard Lemaire, one of Boralex's directors and officers, and his family. For fiscal 2010, revenues from this agreement amounted to \$0.5 million (\$0.5 million in 2009).

The Kingsey Falls natural gas power station has a steam sales contract with Cascades. Since September 15, 2010, date of the acquisition of the Fund, \$4.3 million in revenues have been received from Cascades.

COMMITMENTS AND CONTINGENCIES

CONTRACTUAL OBLIGATIONS

(in millions of dollars)	Payments					
	Total	2011	2012	2013	2014	2015+
Long-term debt and capital leases	523.3	34.0	22.2	98.9	62.2	306.0
Purchase, supply and maintenance contracts (h,i,j)	67.5	24.0	17.4	3.7	4.2	18.2
Land lease agreements (k,l,m,n)	36.0	1.8	1.8	1.9	1.5	29.0
Other obligations (p)	0.8	0.8	-	-	-	-
Total	627.6	60.6	41.4	104.5	67.9	353.2

ENERGY SALES CONTRACTS

a) In the United States, under a long-term contract expiring in 2027, the Corporation is committed to selling 100% of its power production from generated at its Middle Falls hydroelectric power station.

The long-term contract for the Fort Fairfield wood-residue power station expired on February 28, 2011. A new two-year power sales contract was entered into for this power station as of March 1, 2011.

For the Hudson Falls and South Glens Falls hydroelectric power stations in the U.S., the Corporation is committed to sell the electricity it generates under long-term contracts expiring from 2034 to 2035. These contracts provide for contract payment rates for most of the electricity it generates. The price structure is as follows:

	Hudson Falls \$ US/MWh	South Glens Falls \$ US/MWh
2011 - 2017	86.14 – 80.58	88.69 – 86.65
2018 - 2024	48.27	86.65
2025	48.27	121.79 or market ⁽¹⁾
2026 and thereafter	56.28 or market ⁽¹⁾	121.79 or market ⁽¹⁾

(1) The client has the option of replacing the contract price with the market price until the contract terminates in 2025 for the South Glens Falls facility and in 2026 for the Hudson Falls facility.

- (b) For the Canadian power stations, the Corporation is committed to selling 100% of its power output (subject to certain minimum criteria) under long-term contracts maturing between 2012 and 2031. These contracts provide for annual indexation based on the Consumer Price Index (“CPI”). However, under long-term contracts, except for two power stations, the indexation rate should not be lower than 3% or higher than 6%.
- (c) For the French power stations, the Corporation is committed to selling 100% of its power output (subject to certain minimum criteria) under long-term contracts maturing between 2013 and 2025. The contracts provide for annual indexation to indices relating to hourly wage costs and industry activity levels.
- (d) The steam production from the Kingsey Falls power station (Québec) and the Blendecques power station (France) is sold to Cascades Inc. under long-term contracts expiring between 2012 and 2022.
- (e) The Corporation is committed under forward contracts to sell the RECs earned by its U.S. power stations that have qualified as a renewable energy producer in Connecticut. As at February 22, 2011, the balance of these commitments for fiscal 2011 and 2012 totalled approximately \$7.2 million (US\$7.2 million) (\$24.9 million and US\$23.8 million in 2009).
- (f) On June 25, 2008, the Corporation signed two power sales contracts with Hydro-Québec for a total production of 272 MW of electricity for the Seigneurie de Beaupré wind farms project. The Corporation is cooperating with Gaz Métro on this project in which each partner owns a 50% interest. These contracts obtained approval of the Régie de l’énergie du Québec on October 17, 2008 and the environmental green light in July 2009.

PURCHASE, SUPPLY AND MAINTENANCE CONTRACTS

- (g) Under the supply agreements for its wood-residue power stations, the Corporation is committed to take delivery of certain minimum quantities. According to production forecasts, the Corporation will purchase quantities greater than the contract minimums.
- (h) With respect to the wind power projects in France and in Canada, the Corporation signed maintenance contracts, including several turnkey agreements with suppliers such as Enercon, GE Wind Energy, Nordex and Qcells. The initial contract period is five to 15 years, with expenditures totalling \$32.0 million, of which approximately \$2.8 million is payable in 2011.
- (i) With respect to the wind power projects in Ontario and in France, the Corporation has signed new equipment purchase agreements. The total cost of the net commitments is \$18.5 million (€12.5 million and \$1.5 million). Disbursements will take place mostly in 2011 (\$127.8 million as at December 31, 2009). A portion of the amount payable in euros was partially covered by foreign exchange forward contracts.

- (j) The Corporation is committed to buy approximately 90% of its natural gas needs from the Kingsey Falls power station under a supply agreement signed in 1995 and expiring in 2012. The initial natural gas price set in 1995 was \$1.75 per gigajoule; this price is indexed annually until November 2011 based on the CPI, subject to a minimum increase of 3% and a maximum increase of 6% per annum. During the last year of the supply agreement, the price of the delivered natural gas will be equal to the market price, plus a 3% premium. In July 2010, the Corporation entered into a supply agreement covering the Kingsey Falls power station's natural gas needs from November 1, 2011 through November 30, 2012. This agreement covers the commodity price of natural gas molecule for 13 months and its delivery for 12 months. Total disbursements under this agreement amount to approximately \$17.1 million, including the gas and its delivery to Kingsey Falls.

LAND LEASE AGREEMENTS

- (k) To operate the Middle Falls power station in the United States, the Corporation leases the land where the facilities are situated from Niagara Mohawk Power Corporation ("NMPC") under a lease that runs until 2027. In 2010, the rent amounted to \$0.4 million (US\$0.4 million) (\$0.4 million and US\$0.4 million in 2009) and will be indexed at 3% per year until 2013. From 2014 onwards, the rent will vary at the rate of 30% of the power station's gross revenue.
- (l) For the Thames River Project, the Corporation leases land on which wind generators are installed under 27 lease agreements with 20-year terms, renewable at the Corporation's option for the same lease terms. The total lease amount under all these agreements is estimated at \$0.6 million, that is, approximately \$0.014 million per wind generator.
- (m) The land on which the wind generators are installed in France is leased under emphyteutic leases with lease terms ranging from 30 to 99 years. Payments under these leases are due annually and are indexed each year, based on the Consumption Price Index and the Construction Cost Index published by the National Institute of Statistics and Economic Studies (INSEE) and represent an annual commitment of \$0.5 million (€0.4 million).
- (n) With respect to some of its hydroelectric power stations in Canada, the Corporation is party to various lease agreements for the sites of the facilities and the hydroelectric power rights necessary for the operation of the facilities. Under the terms of these agreements, expiring from 2013 to 2020, the Corporation pays rent based on the level of power generation.

The Corporation leases the land on which its U.S. hydroelectric facilities are located from NMPC. The lease agreements terminate at the end of the power sales contracts with NMPC. Rent expense is recognized for non-contingent lease payments on a straight-line basis based on the average rental payment over the lease terms.

Total minimum future lease payments for the South Glens Falls power station in New York State do not include contingent rental expense for years 26 through 40 of the lease agreement because of uncertainty surrounding the amounts. Rental expense in those years is based on a percentage of gross revenues. In addition, the leases provide NMPC a right of first refusal to acquire the hydroelectric facilities at fair market value at the end of the lease term. The leases also require the Corporation to convey title to the hydroelectric facilities if abandoned during the lease term and require NMPC to acquire, and the Corporation to sell, the hydroelectric facilities at the end of the lease term at the lower of fair market value or US\$10 million (Hudson Falls power station) and US\$5 million (South Glens Falls power station).

Total minimum future payments under these leases, excluding contingent rent for South Glens Falls, as of December 31, 2010 are as follows:

(in thousands of dollars)

2011	274
2012	289
2013	305
2014	321
2015	338
Thereafter	9,837

OTHER

- (o) On July 27, 2009, the "Conseil d'État", the final level of appeal in the French legal system, upheld the decision cancelling the building permit for the expansion at the Avignonet-Lauragais facility which comprises two turbines. This decision does not jeopardize the power sales contract with EDF nor operation of the expansion. Furthermore, this situation does not place Boralex in default under any credit agreement. An application for an amended building permit is currently being reviewed by the competent authority.
- (p) When the Ocean Falls power station was acquired in April 2009, Boralex undertook to invest approximately \$3 million for the completion of maintenance work on the dam and the modernization of certain facilities. An amount of \$2.3 million had been disbursed as at December 31, 2010 (\$0.9 million as at December 31, 2009).

- (q) Hydroelectric power stations in Québec are subject to the *Dam Safety Act* and its regulation, which will gradually affect some of the Corporation's hydroelectric facilities. The St-Lambert power station is in compliance with the Act as at December 31, 2010 but is not affected as it is located on the St. Lawrence Seaway, which is not subject to this law. Depending on the region where the power stations are located, dams will have to comply with some criteria defined in this Act. Application of this Act should be phased in. Once the Corporation's recommendations are accepted by the Ministère du Développement durable, de l'Environnement et des Parcs, an action plan will be prepared reflecting the relative urgency of the work required.

A preliminary report was released on the work required at the Buckingham power station to bring it into compliance with the Act, particularly to improve the dam's water discharge capacity, preserve the power station's integrity and the potential impacts on the local population in the event of a major flood. This study indicates that investments of approximately \$14 million will be necessary. The Corporation expects that investments totalling \$0.5 million will be required for the facilities at other power stations to comply with the Act.

- (r) Following the motion filed on August 30, 2010 and the subsequent ruling of October 28, 2010, O'Leary Funds Management L.P. and al. filed an amended motion with the Superior Court of Québec on January 11, 2011. This motion challenges the legality of the business combination between Boralex and the Fund that took place on November 1, 2010 and claims damages and interest in the amount of nearly \$14.0 million.

The Corporation considers that this procedure has no basis in fact or in law and will defend itself vigorously. Therefore, the Corporation has not recorded any provision in respect of this litigation.

RISK FACTORS AND UNCERTAINTIES

SEASONAL FACTORS

By the nature of its business, the Corporation's earnings are sensitive to weather variations from period to period. Variations in winter weather affect the demand for electrical heating requirements. Variations in summer weather affect the demand for electrical cooling requirements. These variations in demand translate into spot market price volatility, which affects a portion of the Corporation's revenues in the Northeastern United States.

HYDROLOGY

The amount of electricity generated by the Corporation's hydroelectric assets is dependent on available water flow. Accordingly, revenues and cash flows may be affected by low and high water flow in the watersheds. There can be no assurance that the long-term historical water flow will remain unchanged or that no material hydrologic event will impact the hydraulic conditions that exist within a particular watershed. Annual deviations from the long term average could be significant.

WIND

Wind is naturally variable. Therefore, the quantity of power production from a wind power station will also be variable. A reduced or increased amount of wind at a wind power station over an extended period may cause a variation in the station's output and the Corporation's revenues and profitability.

RAW MATERIAL SUPPLY

The operation of wood-residue or natural gas thermal power stations requires fuel in the form of wood residue or natural gas. If there is an interruption in the supply or a change in the price of wood residue or natural gas for the Corporation's power stations, their ability to generate power or produce it in a profitable manner will be adversely affected. In addition, some of the other wood residue suppliers could benefit from increased competition and sell their wood residue to other clients or significantly increase their prices. The Corporation mitigates this risk by establishing partnerships with suppliers and seeking alternatives to virgin residue as fuel, as well as by adopting storage strategies that will help avoid purchasing during periods when raw materials are scarce and prices therefore are high.

POWER STATION PERFORMANCE AND EQUIPMENT FAILURE

The ability of the power stations to generate the maximum amount of power is a key determinant of the Corporation's profitability. If the power stations require longer downtime than expected for maintenance and repairs, or if power production is suspended for other reasons, it could adversely affect the Corporation's profitability.

DEVELOPMENT, CONSTRUCTION AND DESIGN

On occasion, the Corporation participates in the construction and development of new power stations. Delays and cost overruns may occur in completing the construction of projects. Even when complete, a power station may not operate as planned, or design and manufacturing flaws may occur, which could conceivably not be covered by warranty.

The new power stations have no operating history and may employ recently developed, technologically complex equipment. Moreover, power sales agreements entered into with a counterparty early in the development phase of a project may enable the counterparty to terminate the agreement or retain security posted as liquidated damages, if a project fails to achieve commercial operation or certain operating levels by specified dates or if the Corporation fails to make specified payments. As a result, a new power station may be unable to fund principal and interest payments under its financing obligations. A default under such a financing obligation could result in the Corporation losing its interest in a power station.

DAM SAFETY

Hydroelectric power stations in Québec are subject to the *Dam Safety Act* and its regulation, which will gradually affect some of the Corporation's hydroelectric facilities. Depending on the region where the power stations are located, dams will have to comply with some criteria defined in this Act. Application of this Act should be phased in. Once the Corporation's recommendations are accepted by the *Ministère du Développement durable, de l'Environnement et des Parcs*, an action plan will be prepared reflecting the relative urgency of the work required. The consequence of a dam failure at any of the Corporation's hydroelectric power stations could result in a loss of production capacity, and repairing such failures could require the Corporation to incur significant expenditures of capital and other resources. Such failures could expose the Corporation to significant liability for damages. There can be no assurance that the Corporation's dam safety program will be able to detect potential dam failures prior to occurrence or eliminate all adverse consequences in the event of failure. Other safety regulations could change from time to time, potentially impacting the Corporation's costs and operations. Upgrading all dams to enable them to withstand all events could require the Corporation to incur significant expenditures of capital and other resources. In conclusion, a dam failure could have a material adverse effect on the Corporation's business, operating results, financial condition and prospects.

POWER SALES AGREEMENTS

Obtaining new power sales agreements is a key component for the sustainability of profits. In several instances, the Corporation obtains new power sales agreements by submitting offers in response to requests for proposals issued by large clients. There is no assurance that the Corporation will be selected as power supplier following requests for proposals in the future or that existing power sales agreements will be renewed, or will be renewed upon equivalent terms and conditions on the expiry.

KEY EMPLOYEES

Holders of securities of the Corporation must rely upon the experience and expertise of several key employees of the Corporation. The Corporation's continued success is dependent upon its ability to attract and retain experienced Management.

NATURAL DISASTERS AND FORCE MAJEURE EVENTS

The Corporation's power stations and operations are exposed to damage and/or destruction resulting from environmental disasters (for example, floods, high winds, fires and earthquakes), equipment failure and the like. The occurrence of a significant event which disrupts the production capacity of the Corporation's asset or prevents it from selling its power for an extended period, such as an event that precludes existing clients from purchasing electricity, could have a material adverse impact on the Corporation. The Corporation's generation assets could be exposed to effects of severe weather conditions, natural disasters and potentially catastrophic events such as a major accident or incident at the Corporation's generation assets or a generating plant owned by a third party to which the transmission assets are connected. In certain cases, there is the potential that some events may not excuse the Corporation from performing its obligations pursuant to agreements with third parties. In addition, many of the Corporation's generation assets are located in remote areas, which makes access for repair of damage difficult.

INSURANCE LIMITS

While the Corporation believes that its insurance coverage addresses all material insurable risks, provides adequate coverage that is similar to what would be maintained by a prudent owner/operator of similar facilities, and is subject to deductibles, limits and exclusions which are customary or reasonable given the cost of procuring insurance and current operating conditions, there can be no assurance that such insurance will continue to be offered on an economically affordable basis, nor that such insurance will cover all events which could give rise to a loss or claim involving the assets or operations of the Corporation.

ENERGY PRICES

In the Northeastern United States, a large portion of the Corporation's power production is sold on the spot market or under short-term contracts and is accordingly subject to fluctuations in electricity prices. Electricity prices vary depending on supply, demand and certain external factors. As a result, prices may fall too low for the power stations to yield an operating profit. From time to time, the Corporation implements hedging strategies to mitigate some of these risks.

NON-PERFORMANCE BY COUNTERPARTIES

The Corporation sells the majority of its power to a limited number of clients. The Corporation is exposed to credit-related losses in the event of the non-performance by counterparties to power purchase agreements and financial instruments. Credit risks arise from the potential for a counterparty to default on its contractual obligations and are limited to those contracts where the Corporation would incur a loss in replacing the defaulted transaction. The Corporation minimizes credit risk with counterparties to financial instruments and physical electricity and gas trades through the selection, monitoring and diversification of counterparties, use of standard trading contracts, collateral and other credit risk mitigation techniques. Further, the Corporation's power sales agreements are almost exclusively with clients having longstanding credit histories or investment grade ratings. Where a client does not have a public credit rating, the Corporation assesses the credit risk and may require financial guarantees.

INDUSTRY RISK AND COMPETITION

The Corporation currently operates in the power segment in Canada, the United States and France. These areas of operation are affected by competition ranging from large utilities to small independent power producers. The Corporation may compete with other companies with significantly greater financial and other resources than itself for power generation contracts as well as for the recruitment of qualified personnel. There is no assurance that the Corporation will be able to effectively compete with its competitors in the long term.

DEBTS

Since the Corporation's projects require significant capital, it uses a project-based financing approach to maximize its leverage. The cash flows from several of the power stations are subordinated to senior debt on each project. There is a risk that a loan may go into default if the Corporation does not fulfil its commitments and obligations, which may result in the lender realizing on its security and, indirectly, causing the Corporation to lose its ownership or possession of such power station.

INTEREST RATE AND REFINANCING RISK

Interest rate fluctuations may affect the profitability of the Corporation, given its project-based financing approach. The Corporation is carrying long-term debt bearing interest at variable rates. As at December 31, 2010, only 4% of long-term debt issued, taking into consideration financial swaps, bore interest at variable rates, as did the Corporation's bank loans and advances. A sharp increase in interest rates in the future could affect the liquid assets available for the Corporation's development projects. In addition, the ability of the Corporation to refinance debt when due is dependent on capital market conditions which can change over time.

ADDITIONAL FINANCING

To the extent that external sources of capital, including the issuance of additional securities of the Corporation, become limited or unavailable, the Corporation's ability to make the necessary capital investments to construct new power stations or maintain its existing power stations and remain in business will be impaired. There can be no assurance that additional financing will be obtained or obtained under reasonable terms and conditions. If financing is obtained by issuing additional Class A shares of the Corporation, investors may suffer dilution to their holdings of securities of the Corporation.

FOREIGN EXCHANGE RISK

The Corporation is exposed to foreign exchange risk through certain operations and investments that require foreign currency translations. More specifically, a significant portion of the fuel consumed by the Maine and New York State wood-residue power stations is purchased in Canadian dollars. Apart from this item, most transactions are denominated in local currency, and the purchase of wind turbines, in euros. With respect to currency translation for the Corporation's foreign subsidiaries, only 20 of its 46 power stations are located in Canada, whereas 13 are in the United States and 13 in France. Since all subsidiaries are self-sustaining, the impact of exchange rate fluctuations reflects on the Corporation's net investment in its subsidiaries and variances are reported in shareholders' equity, not in the statement of earnings, until the Corporation repatriates the funds to Canada.

HEALTH, SAFETY AND ENVIRONMENTAL RISKS

The ownership and operation of the Corporation's generation assets carry an inherent risk of liability related to worker health and safety and the environment, including the risk of government imposed orders to remedy unsafe conditions and/or to remediate or otherwise address environmental contamination, potential penalties for contravention of health, safety and environmental laws, licenses, permits and other approvals, and potential civil liability. Compliance with health, safety and environmental laws (and any future changes to these laws) and the requirements of licenses, permits and other approvals will remain material to the Corporation's business.

REGULATORY AND POLITICAL ENVIRONMENT

The Corporation currently has significant operations in the United States and France. Any changes in government policies could have a significant impact on the Corporation's business ventures in such jurisdictions. Risks of foreign operations include, but are not necessarily limited to, changes of laws affecting foreign ownership, government participation and regulation, taxation, royalties, duties, rates of exchange, inflation, foreign exchange controls, repatriation of earnings and civil unrest. There is no assurance that economic and political conditions in the countries in which the Corporation operates or intends to operate, will continue as they are at present. The effect of these factors cannot be accurately predicted.

The Corporation's operations are also subject to changes in governmental regulatory requirements or applicable governing statutes, including environment and energy related regulations, unforeseen environmental effects, general economic conditions and other matters beyond the control of the Corporation.

The operation of power stations is subject to extensive regulation by various government agencies at the municipal, provincial and federal levels. There is always a risk of changes to government policies and laws, including income tax, tax on capital and municipal tax rates.

Operations that are not currently regulated may become subject to regulation. Because legal requirements change frequently and are subject to interpretation, the Corporation is unable to predict the ultimate cost of compliance with these requirements or their effect on operations. Some of the Corporation's operations are regulated by government agencies that exercise discretionary power conferred by statutes. Because the scope of such authority is uncertain and may be inconsistently applied, the Corporation is unable to predict the ultimate cost of compliance with these requirements or their effect on operations. The failure of the Corporation to obtain or maintain all necessary licenses, leases or permits, including renewals thereof or modifications thereto, may adversely affect its ability to generate revenues.

The Corporation holds permits and licenses from various regulatory authorities for the construction and operation of its power stations. These licenses and permits are critical to the operation of the Corporation. The majority of these permits and licenses are long term in nature, reflecting the anticipated useful life of the facilities. These permits and licenses are dependent upon the Corporation's compliance with the terms thereof. In addition, delays may occur in obtaining government approvals required for future power projects.

The Hudson Falls facility currently benefits from a surplus water flow of about 500 cubic feet per second under a U.S. Federal Energy Regulatory Commission ("FERC") exemption, which was renewed at the beginning of 2011 for an additional five years or until third-party cleanup work is completed. Were this exemption to be withdrawn or to expire, this power station's production could be reduced by approximately 8% or 16,000 MWh compared with historical trends.

LITIGATION

In the normal course of its operations, the Corporation may become involved in various legal actions, typically involving claims relating to personal injuries, property damage, property taxes, land rights and contract disputes. The Corporation maintains adequate provisions for its outstanding claims. The final outcome with respect to outstanding or future disputes cannot be predicted with certainty, and therefore there can be no assurance that their resolution will not have an adverse effect on the financial position or operating results of the Corporation in a particular quarter or fiscal year. The Corporation believes that it is not currently involved in any litigation, claim or proceeding whose adverse outcome could have a material adverse effect on its consolidated financial position or results, but this could arise in the future.

SEGMENT AND GEOGRAPHICAL DIVERSIFICATION

The Corporation benefits from some diversification in terms of types of power generated. This diversification is reflected in the business' operating revenues and EBITDA. In addition, from a geographic perspective, the regional EBITDA breakdown is satisfactory and will improve with the commissioning of projects in Canada in the coming years. Note that the Corporation is not exposed to any material financial consequence in the event of a significant downturn in any of its sectors of operations, excepting biomass.

USE OF ESTIMATES AND MEASUREMENT UNCERTAINTY

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

The key estimates used by the Corporation relate mainly to the assumptions made with respect to the impairment tests of long-lived assets and the recoverability of renewable energy tax credits. The key assumptions are: the future price of electricity and its associated products, the price of other energy sources, particularly natural gas, the future costs of wood-residue procurement and the remaining useful life of the energy producing assets, considering planned maintenance over the period.

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

With regard to the cost of wood residue, this raw material is not publicly traded. Purchases are made based on specific agreements negotiated with each supplier. As most agreements are renewable annually, prices are subject to change. The assumption regarding wood-residue costs is based on the following year's negotiated contract prices, adjusted for the estimated CPI in subsequent years.

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

CHANGES IN ACCOUNTING POLICIES

BUSINESS COMBINATIONS, CONSOLIDATED FINANCIAL STATEMENTS AND NON-CONTROLLING INTERESTS

In January 2009, the Canadian Institute of Chartered Accountants ("CICA") issued three new accounting standards: Section 1582, *Business Combinations*, Section 1601, *Consolidated Financial Statements*, and Section 1602, *Non-controlling Interests*. These new standards will be effective for financial statements for fiscal years beginning on or after January 1, 2011, but early adoption is permitted. Boralex adopted these standards on January 1, 2010.

Section 1582 replaces former Section 1581, *Business Combinations*, and establishes standards for the accounting of business combinations. The new standard requires that the acquiring entity in a business combination recognize most of the assets acquired and liabilities assumed in the transaction at fair value, including contingent assets and liabilities, and recognize and measure the goodwill acquired in the business combination or a gain resulting from a bargain purchase. Acquisition-related costs are also to be expensed. The adoption of Section 1582 did not materially impact the financial statements issued prior to January 1, 2011, but it affected and will affect the accounting for acquisitions after the effective date. The Section is the Canadian equivalent of International Financial Reporting Standard IFRS 3, *Business Combinations*.

Sections 1601 and 1602 supersede former Section 1600, *Consolidated Financial Statements*. Section 1601 carries forward guidance from Section 1600 with the exception of non-controlling interests which are addressed in a separate section. Section 1602 requires that the Corporation report non-controlling interests within equity separately from the parent owners' equity, and transactions between an entity and non-controlling interests as capital transactions. As a result of this adoption, the Corporation reclassified non-controlling interests in the amount of \$7.0 million from *Liabilities* to *Equity* in the December 31, 2009 consolidated balance sheet. Additionally, net earnings are to be reported with separate disclosure of the amounts attributable to the shareholders of the Corporation and to the non-controlling interests in the consolidated statement of earnings. This Section is the equivalent of International Accounting Standard IAS 27, *Consolidated and Separate Financial Statements*.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”)

For fiscal years beginning on or after January 1, 2011, public Canadian companies will be required to prepare their financial statements in accordance with IFRS. Although IFRS use a conceptual framework similar to GAAP, there are significant differences in accounting policies that must be assessed. IFRS will require more disclosures than Canadian GAAP. The financial statements issued by Boralex during the first quarter of 2011 will comply with IFRS and contain comparative figures for 2010.

As discussed in detail in the 2009 annual report, the Corporation has established its conversion plan, including phases and timetables, for the conversion of its consolidated financial statements to IFRS, and has also set up and trained its project team and formally developed a project structure. A Steering Committee consisting of members of senior management and the Chairman of the Audit Committee will approve accounting policy choices recommended by the project team and ensure that adjustments are made, including those to information technology, contracts and internal control. Boralex’s Audit Committee will ensure that management fulfills its responsibilities and achieves a successful IFRS conversion. Project status updates are provided to the Audit Committee every quarter. Boralex engages external consultants for assistance with each phase of its conversion plan.

IFRS CONVERSION PLAN STATUS

Boralex’s IFRS conversion plan is on schedule. The conversion plan has three main phases: (i) preliminary diagnostic review and scoping of differences; (ii) analysis and design and (iii) implementation and disclosures. The Corporation has completed the first phase of the conversion plan and the major differences in accounting and disclosures between GAAP and IFRS have been identified. The second phase, which consists in performing a detailed review of differences, qualifying the current and potential impacts and recommending accounting policy choices, has been completed. An opening balance sheet has been prepared under IFRS at the January 1, 2010 date of transition. The following adjustments have been made to the opening balance sheet. See “Major Differences Between IFRS and Current Accounting Standards” and “Main Exemptions Possible under IFRS 1” for more information.

MAJOR DIFFERENCES BETWEEN IFRS AND CURRENT ACCOUNTING STANDARDS

The following table summarizes the required changes in Boralex's accounting policies. This list, which is not to be considered exhaustive, is intended to identify those differences that are likely to be most significant at the time of transition to IFRS. Furthermore, the release of International Accounting Standards Board discussion papers, exposure drafts and new standards could change the findings.

STANDARD	DIFFERENCES BETWEEN IFRS AND GAAP	CONCLUSIONS CURRENTLY UNDER REVIEW
Property, plant and equipment and intangible assets	<p>IFRS: Following their initial recognition, the Corporation may use the cost model or the revaluation model to account for its property, plant and equipment.</p> <p>GAAP: The revaluation model is not permitted.</p> <p>IFRS: Property, plant and equipment items must be amortized by component and each component must be amortized over its useful life.</p> <p>GAAP: Component identification rules are less stringent.</p> <p>IFRS: Three amortization methods are allowed under IFRS, namely the straight-line method, the diminishing balance method and the units of production method.</p> <p>GAAP: In addition to these methods, GAAP allows an enterprise to use an increasing charge method when it can price its goods or services so as to obtain a constant rate of return on the investment in the asset.</p>	<p>To avoid changes in the fair value of property, plant and equipment in the balance sheet and the corresponding impacts on the statement of earnings, the Corporation elected to continue using the cost model.</p> <p>New components are identified and amortized separately.</p> <p>IFRS do not recommend the use of a 3% compound interest rate to depreciate power stations with indexed long-term power sales contracts. Boralex elected to use straight-line amortization for its power stations in the future.</p> <p><i>Impact on opening balance sheet: property, plant and equipment, and investment in the Fund decrease by \$0.8 million and \$1.5 million, respectively.</i></p>
Impairment of assets	<p>IFRS: IAS 36, <i>Impairment of Assets</i>, uses a one-step approach to identify asset impairments, with asset carrying values being compared to the higher of value in use (determined using discounted future cash flows) and fair value less costs to sell. Moreover, according to this standard, previous impairment losses may be reversed under certain circumstances.</p> <p>GAAP: GAAP uses a two-step approach for impairment tests. The first step consists in comparing the carrying values of assets and undiscounted future cash flows to assess whether there is an indication of impairment and the second step consists in measuring any impairment by comparing the carrying values of assets to their fair values. Under GAAP, previously recognized impairment values may not be reversed.</p>	<p>This difference in methods might result in the impairment of assets for which the carrying values were previously supported by undiscounted cash flows under GAAP but which may not be on a discounted cash flow basis. As January 1, 2010, the Corporation identified the Senneterre power station, which was owned by the Fund at that date, as a facility affected by this standard.</p> <p><i>Impact on opening balance sheet: investment in the Fund decreases by \$8.2 million.</i></p>
Share-based payment	<p>IFRS: When stock option awards vest gradually, each tranche is to be considered as a separate grant.</p> <p>GAAP: The gradually vested tranches could be considered as a single grant.</p>	<p>The compensation expense is recognized over the expected term of each vested tranche.</p> <p><i>Impact on opening balance sheet: immaterial effect on contributing surplus.</i></p>

MAIN EXEMPTIONS POSSIBLE UNDER IFRS 1, *FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS*

IFRS1 generally requires new adopters to apply IFRS retrospectively to all the periods reported in their first IFRS financial statements. However, IFRS1 provides for certain elective exemptions to full retrospective application. The main elective exemptions the Corporation has decided to apply are discussed in the following table:

ELECTIVE EXEMPTIONS	CONCLUSIONS
Business combinations	This exemption allows an entity not to restate retrospectively the business combinations occurring prior to the date of transition. Boralex elected not to restate retrospectively any business combinations occurring before January 1, 2010. However, Boralex must adjust the opening balance sheet to reflect \$2.8 million in unrecognized additional consideration.
Cumulative translation differences included under <i>Accumulated other comprehensive income (loss)</i>	Retrospective application of IFRS would require us to determine the amount of cumulative translation differences in accordance with IAS 21, <i>The Effects of Changes in Foreign Exchange Rates</i> , from the date at which a subsidiary or an entity subject to significant influence was formed or acquired. IFRS1 allows cumulative translation differences for all foreign operations to be deemed zero at the date of transition to IFRS. Boralex has elected to reset to zero translation losses totalling \$44.5 million through opening retained earnings at the date of transition.
Fair value as deemed cost	IFRS1 allows an entity to measure each of its property, plant and equipment items using the fair value method and designate fair value as deemed cost as at the date of transition. An entity may also elect to recalculate original cost and amortization previously determined under GAAP retrospectively in accordance with IAS 16, <i>Property, Plant and Equipment</i> . The Corporation has elected to continue recording property, plant and equipment at cost and to not restate property, plant and equipment at fair value under IFRS.
Decommissioning liabilities included in the cost of property, plant or equipment	Under IFRIC 1, <i>Changes in Existing Decommissioning, Restoration and Similar Liabilities</i> , an entity is required to determine its liabilities to decommission, remove or restore items of property, plant and equipment as of the acquisition date of such items. IFRS1 allows an entity to apply prospectively the requirements set out in IFRIC 1. The Corporation has elected not to retrospectively recognize the changes in these liabilities pursuant to IFRIC 1, as said changes may have occurred prior to the date of transition.
An arrangement contains a lease	Under IFRS1, an entity may determine whether an arrangement existing at the date of transition to IFRS contains a lease on the basis of facts and circumstances existing at that date. If an arrangement contains a lease at the transition date, the Corporation elected to account for it at that date and not retrospectively.
Borrowing costs	Under IFRS1, an entity is permitted not to capitalize the borrowing costs related to qualifying assets prior to the date of conversion to IFRS. The Corporation already capitalizes borrowing costs.
Employee benefits	IFRS1 allows entities to use the corridor method in recognizing all cumulative actuarial gains and losses at the IFRS transition date. The Corporation has elected against using retrospective application. However, Boralex must adjust its opening balance sheet to account for an unrecognized actuarial loss of \$0.04 million.

Although IAS 12 does not specifically require any adjustments to the opening balance sheet, the Corporation reduced its future income tax liabilities by \$3.6 million in order to reflect the combined income tax impact on the abovementioned adjustments.

The impact on opening balance sheet is summarized in the table below.

Opening balance sheet under IFRS

(in thousands of dollars)	GAAP balance sheet		IFRS balance sheet
	Jan. 1, 2010	Summary of IFRS adjustments	Jan. 1, 2010
Current assets	89,138	-	89,138
Investment	55,446	(9,717)	45,729
Property, plant and equipment	413,539	(832)	412,707
Energy sales contracts	49,023	-	49,023
Other assets	56,621	-	56,621
	663,767	(10,549)	653,218
Current liabilities	65,760	2,885	68,645
Long-term debt	206,116	-	206,116
Future income taxes	37,185	(3,582)	33,603
Fair value of derivative financial instruments	7,645	-	7,645
	316,706	(697)	316,009
Capital stock	222,694	-	222,694
Contributed surplus	4,295	(5)	4,290
Retained earnings	159,900	(54,362)	105,538
Accumulated other comprehensive loss	(46,859)	44,515	(2,344)
	340,030	(9,852)	330,178
Non-controlling interests	7,031	-	7,031
Total equity	347,061	(9,852)	337,209
	663,767	(10,549)	653,218

As part of its IFRS conversion plan, Boralex analyzed the contractual impacts of the selection of new accounting policy choices on its financing agreements and similar liabilities and does not anticipate any related impacts. The impacts on information and disclosure systems are being validated. The Corporation does not expect any major changes to be required during the transition. In addition, Boralex is analyzing internal control and for the time being, no significant impact is expected on internal control. However, specific controls have been implemented for the transition to IFRS, and these controls will be maintained throughout the transition year. Lastly, Boralex is preparing preliminary financial statements under IFRS, in accordance with IAS 1, *Presentation of Financial Statements*. The differences attributable to IFRS may give rise to changes in presentation allowing for more detailed disclosures in the notes to financial statements. At this time, the quantitative impact of these differences and elections for fiscal 2010 has been completed.

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 Canadian GAAP.

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

ADDITIONAL INFORMATION

Additional information about the Corporation, including its previous annual reports, annual information form, interim reports and press releases, is available on Boralex's website (www.boralex.com) and the SEDAR website (www.sedar.com). Readers can also review information about the Fund, including its previous annual reports, annual information form, interim reports and press releases, on SEDAR.

Management's report

The consolidated financial statements and other financial information included in the Annual Report are the responsibility of, and have been prepared by, the management of Boralex Inc. within reasonable limits of materiality. To fulfill this responsibility, management maintains appropriate systems of internal control, policies and procedures. These systems of internal control, policies and procedures help ensure that the Corporation's reporting practices and accounting and administrative procedures provide reasonable assurance that the financial information is relevant, reliable and accurate and that assets are safeguarded and transactions are executed in accordance with proper authorization. These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles, which are summarized in the consolidated financial statements. Where appropriate, these consolidated financial statements reflect estimates based on management's best judgment. Financial information presented elsewhere in this Annual Report is consistent, where applicable, with that reported in the accompanying consolidated financial statements.

The consolidated financial statements have been reviewed by the Board of Directors and by its Audit Committee. The Audit Committee consists exclusively of independent directors and meets periodically during the year with the independent auditor. The independent auditor has full access to and meets with the Audit Committee both in the presence and absence of management.

PricewaterhouseCoopers LLP has audited the consolidated financial statements of Boralex Inc. The independent auditor's responsibility is to express a professional opinion on the fairness of the consolidated financial statement presentation. The Independent Auditor's Report outlines the scope of their audit and sets forth their opinion on the consolidated financial statements.

(s) Patrick Lemaire

Patrick Lemaire

President and Chief Executive Officer

(s) Jean-François Thibodeau

Jean-François Thibodeau

Vice-President and Chief Financial Officer

Montréal, Canada

March 11, 2011

Independent Auditor's Report

To the Shareholders of Boralex Inc.

We have audited the accompanying consolidated financial statements of Boralex Inc. and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2010 and 2009 and the consolidated statements of earnings, retained earnings, comprehensive income (loss) and cash flows for the years then ended, and the related notes including a summary of significant accounting policies.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Boralex Inc. and its subsidiaries as at December 31, 2010 and 2009 and the results of their operations and their cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(s) PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP¹

¹ Chartered accountant auditor permit no. 19653

Montréal, Canada
March 11, 2011

Consolidated Balance Sheets

As at December 31 (in thousands of dollars)	Note	2010	2009
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		92,650	37,821
Restricted cash		15,924	-
Accounts receivable		60,420	39,632
Available-for-sale financial asset		21,508	-
Future income taxes	19	512	422
Inventories		9,179	8,726
Prepaid expenses		2,516	2,537
Fair value of derivative financial instruments	11	769	-
		203,478	89,138
Investment	4,5	-	55,446
Property, plant and equipment	6	810,700	413,539
Energy sales contracts	7	100,673	49,023
Goodwill	4	70,721	-
Other long-term assets	8	47,699	56,621
		1,233,271	663,767
LIABILITIES			
CURRENT LIABILITIES			
Bank loans and advances		195	12,291
Accounts payable and accrued liabilities		58,815	28,913
Income taxes payable		3,209	283
Fair value of derivative financial instruments	11	183	-
Current portion of long-term debt	9	34,033	24,273
		96,435	65,760
Long-term debt	9	479,546	206,116
Convertible debentures	10	220,824	-
Long-term lease accruals		2,981	-
Future income taxes	19	47,949	37,185
Fair value of derivative financial instruments	11	10,834	7,645
		858,569	316,706
EQUITY ATTRIBUTABLE TO SHAREHOLDERS			
Capital stock	14	222,853	222,694
Equity component of convertible debentures	10	19,537	-
Contributed surplus	15	5,527	4,295
Retained earnings		184,690	159,900
Accumulated other comprehensive loss	16	(66,799)	(46,859)
		365,808	340,030
Non-controlling interests		8,894	7,031
Total equity		374,702	347,061
		1,233,271	663,767

See accompanying notes.

Approved by the Board of Directors,

(s) Bernard Lemaire

Bernard Lemaire
Director

(s) Germain Benoît

Germain Benoît
Director

Consolidated Statements of Earnings

For the years ended December 31

(in thousands of dollars, except per share amounts and number of shares)

	Note	2010	2009
Revenues from energy sales		202,864	184,779
Renewable energy tax credits		–	13,853
Operating costs		115,568	122,100
		87,296	76,532
Share in earnings of the Fund	5	(3,251)	(2,090)
Management revenues from the Fund	5	4,437	5,876
Other income		718	2,061
		89,200	82,379
OTHER EXPENSES			
Management and operation of the Fund	5	3,995	4,789
Development		4,214	4,729
Administrative		17,025	15,536
		25,234	25,054
OPERATING INCOME			
		63,966	57,325
Amortization		40,658	26,056
Foreign exchange loss		4,298	1,473
Net loss on financial instruments		247	923
Financing costs	18	24,104	13,727
Net gain on deemed disposal of investment in the Fund	4	(15,130)	–
Gain on sale of subsidiary	12	(774)	–
Gain on dilution		–	(13,865)
		53,403	28,314
EARNINGS BEFORE INCOME TAXES AND NON-CONTROLLING INTERESTS			
		10,563	29,011
Provision for (recovery of) income taxes	19	(12,738)	4,470
Net earnings including non-controlling interests		23,301	24,541
Non-controlling interests		(201)	(102)
NET EARNINGS ATTRIBUTABLE TO SHAREHOLDERS			
		23,100	24,439
Net earnings per Class A share (basic and diluted)	14	\$0.61	\$0.65
Weighted average number of Class A shares outstanding (basic)	14	37,741,916	37,740,921
Weighted average number of Class A shares outstanding (diluted)	14	37,860,092	37,836,411

See accompanying notes.

Consolidated Statements of Retained Earnings

For the years ended December 31 (in thousands of dollars)	Note	2010	2009
Balance – beginning of year		159,900	135,461
Net earnings attributable to shareholders for the year		23,100	24,439
Excess of purchase price paid for acquisition of non-controlling interests	13	(1,725)	–
Excess of proceeds from partial sale of a subsidiary	13	3,415	–
Balance – end of year		184,690	159,900

See accompanying notes.

Consolidated Statements of Comprehensive Income (Loss)

For the years ended December 31 (in thousands of dollars)	Note	2010	2009
Net earnings for the year including non-controlling interests		23,301	24,541
Other comprehensive income (loss)	16		
TRANSLATION ADJUSTMENTS			
Unrealized foreign exchange loss on translation of financial statements of self-sustaining foreign operations		(15,537)	(32,389)
Reclassification to net earnings of a realized foreign exchange loss related to the reduction of net investment in self-sustaining foreign operations		3,604	1,076
Share of cumulative translation adjustments of the Fund		–	(2,174)
Taxes		(179)	581
CASH FLOW HEDGES			
Change in fair value of financial instruments		(11,028)	7,140
Hedging items realized and recognized in net earnings		(5,554)	(22,608)
Hedging items realized and recognized in balance sheet		5,652	(3,884)
Taxes		3,829	4,383
LOSS ON AVAILABLE-FOR-SALE FINANCIAL ASSET			
Unrealized loss on available-for-sale financial asset		(727)	–
		(19,940)	(47,875)
Comprehensive income (loss) for the year including non-controlling interests		3,361	(23,334)
Less: Earnings for the year attributable to non-controlling interests		(201)	(102)
Comprehensive income (loss) for the year attributable to shareholders		3,160	(23,436)

See accompanying notes.

Consolidated Statements of Cash Flows

For the years ended December 31 (in thousands of dollars)	Note	2010	2009
OPERATING ACTIVITIES			
Net earnings attributable to shareholders		23,100	24,439
Distributions received from the Fund		4,475	9,638
Adjustments for non-cash items			
Net loss on financial instruments		247	1,253
Share in earnings of the Fund	5	3,251	2,090
Amortization		40,658	26,056
Amortization of financing costs		3,035	2,893
Renewable energy tax credits		1,709	(7,113)
Gain on sale of subsidiary	12	(774)	-
Gain on deemed disposal of investment in the Fund	4	(21,260)	-
Gain on dilution		-	(16,315)
Imputed interest on convertible debentures		411	-
Future income taxes	19	(20,100)	3,002
Other		2,198	1,470
		36,950	47,413
Change in non-cash working capital items	20	5,417	13,373
		42,367	60,786
INVESTING ACTIVITIES			
Additions to property, plant and equipment		(186,993)	(84,532)
Change in restricted cash		(15,924)	-
Business acquisitions			
- The Fund	4	(38,811)	-
- Other	4	(2,142)	(53,758)
Proceeds from sale of a subsidiary		878	-
Change in reserve funds		883	(1,091)
Development projects		(2,046)	(10,337)
Other		2,736	(6,366)
		(241,419)	(156,084)
FINANCING ACTIVITIES			
Increase (Decrease) in bank loans and advances		(12,096)	12,291
Increase in long-term debt		267,051	68,714
Payments on long-term debt		(74,407)	(27,539)
Net issuance of convertible debentures	10	103,945	-
Net proceeds from share issuance		132	-
Distributions paid to unitholders		(1,565)	-
Purchase of non-controlling interests			
- The Fund	4	(32,421)	-
- Other	13	(1,751)	(968)
Increase in non-controlling interests	13	5,662	23,181
		254,550	75,679
TRANSLATION ADJUSTMENT ON CASH AND CASH EQUIVALENTS		(669)	(11,755)
NET CHANGE IN CASH AND CASH EQUIVALENTS		54,829	(31,374)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR		37,821	69,195
CASH AND CASH EQUIVALENTS - END OF YEAR		92,650	37,821
SUPPLEMENTAL INFORMATION			
CASH AND CASH EQUIVALENTS PAID FOR:			
Interest		24,022	9,130
Income taxes		3,571	1,736

See accompanying notes.

Notes to Consolidated Financial Statements

December 31, 2010 and 2009

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

Note 1.

NATURE OF OPERATIONS AND BASIS OF CONSOLIDATION

Boralex Inc. (“Boralex” or the “Corporation”) operates mainly as a private producer of energy. As at December 31, 2010, the Corporation had interests in 21 wind power stations, 15 hydroelectric power stations, eight wood-residue thermal power stations and two natural gas cogeneration power stations for a total capacity of 700 megawatts (“MW”*) (417 MW in 2009). The Corporation also operates two hydroelectric power stations on behalf of an entity controlled by a director and officer of the Corporation.

The consolidated financial statements include the accounts of the Corporation, its subsidiaries and variable interest entities for which it is the primary beneficiary.

*(*Data relating to MW and MWh have not been audited by the auditors.)*

Note 2.

SIGNIFICANT ACCOUNTING POLICIES

USE OF ESTIMATES AND MEASUREMENT OF UNCERTAINTY

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

The key estimates used by the Corporation relate mainly to the assumptions made with respect to the impairment tests of long-lived assets and the recoverability of renewable energy tax credits. The key assumptions are: the future price of electricity and its associated products, the prices of other energy sources, particularly natural gas, the future costs of wood-residue procurement and the remaining useful life of the energy producing assets, considering planned maintenance over the period.

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

With regard to the cost of wood residue, this raw material is not traded on an organized market. Purchases are made based on specific agreements negotiated with each supplier. As most agreements are renewable annually, prices are subject to change. The assumption regarding wood-residue costs is based on the following year’s negotiated contract prices, adjusted for the estimated Consumer Price Index (“CPI”) in subsequent years.

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

Note 2. Significant accounting policies (Cont'd)

REVENUE RECOGNITION

The Corporation recognizes its energy revenue under the following policies:

Revenues from Energy Sales

The Corporation recognizes revenues from power and steam sales when the energy generated is received by the client and collection is considered likely.

Management Revenues

Management revenues from the Fund (until September 15, 2010) and other income are recognized when the service is provided and collection is considered likely.

Renewable Energy Certificates (“RECs”)

Revenue from RECs is recognized when earned, i.e. when the Corporation has met the quarterly statutory requirements and the value of the RECs can be determined based on sufficient fixed-price and firm sales contracts with unrelated parties.

Renewable Energy Tax Credits

Renewable energy tax credits attributed on the basis of incurred operating expenses are recorded as a reduction of operating costs for the period in which the credits are earned, to the extent that it is more likely than not that they will be recoverable during their lifetime.

CASH AND CASH EQUIVALENTS

Cash includes cash on hand and bank balances. Cash equivalents include bankers' acceptances, deposit certificates guaranteed by banks or funds guaranteed by government bonds. These instruments must be readily convertible into known amounts of cash and initially mature within three months or less.

INVENTORIES

Inventories represent wood residue and are valued at the lower of cost and net realizable value. Cost is determined using the average cost method.

PROPERTY, PLANT AND EQUIPMENT, AND AMORTIZATION

Property, plant and equipment, consisting mainly of power stations, are recorded at cost, including interest incurred during the construction period of new power stations or wind power stations. Amortization begins on the date the assets are put into service using the following methods:

Wind Power Stations

Amortization is calculated using the straight-line method by component over periods of 10 to 20 years.

Hydroelectric Power Stations

Amortization of power stations in the United States and British Columbia is calculated using the straight-line method over periods of 32 to 40 years. Amortization of Québec power stations is calculated using the compound interest method at a rate of 3% over a period of approximately 40 years.

Wood-Residue Thermal Power Stations

Amortization of power stations in the United States is calculated using the production method based on electricity production. According to this method, the amortization expense recorded in earnings is based on actual production during the period in relation to anticipated long-term production. Assuming stable and continuous production, the amortization period of the equipment is approximately 20 years. Major recurring maintenance is capitalized and amortized over its specific estimated life, ranging from 5 to 10 years. Amortization of Québec power stations is calculated using the compound interest method at a rate of 3% over a period of approximately 25 years.

Natural Gas Thermal Power Stations

Amortization of the French power station is calculated using the straight-line method over an average period of 15 years and amortization of the Québec power station is amortized using the straight-line method until 2012.

Note 2. Significant accounting policies (Cont'd)

ENERGY SALES CONTRACTS

Acquisition costs for power and steam sales contracts are amortized over the remaining contract terms, ranging from 11 to 21 years. For the Québec power stations, amortization of the cost of these contracts is calculated using the compound interest method at a rate of 3%. For power stations whose clients may opt to pay market price instead of the contract price, acquisition costs for these contracts are amortized to reflect the revenues generated for the period as a percentage of total estimated contract revenues. For the other power stations, the straight-line method is used.

IMPAIRMENT OF LONG-LIVED ASSETS

Long-lived assets are tested for recoverability when particular events or changes in circumstances indicate that their carrying value might not be recoverable. Recoverability is assessed by comparing the carrying value of assets with the estimated value of future cash flows directly associated with the use of the assets. Impaired assets are recorded at fair value, determined primarily by estimating the discounted future cash flows directly associated with their use and eventual disposal.

GOODWILL

Goodwill, representing the excess of the cost of businesses acquired over the net amount allocated to assets acquired and liabilities assumed, is not amortized. However, goodwill is tested for impairment annually on December 31 or when events or circumstances indicate that it might be impaired. Any impairment loss is charged to earnings in the period in which it occurs.

OTHER LONG-TERM ASSETS

Net Investments in Finance Leases

The Corporation entered into finance lease transactions for crushing equipment to ensure a steady supply of wood residue. Amounts receivable under these leases appear under *Other assets*. Repayments are based on a per-unit rate for the volume of raw material delivered to the power stations by the lessees. In addition to capital repayments, the Corporation receives interest on amounts receivable; this interest income is recorded against *Financing costs* in the statement of earnings.

Reserve Funds

Reserve funds represent funds held in trust for the purpose of meeting the requirements of certain long-term debt agreements.

Development Projects

Project development costs include design and acquisition costs related to new projects. These costs are deferred until construction begins on the new power station or expansion of an existing power station, at which time they are included in the cost of the power station or recorded as intangible assets, as appropriate. The Corporation defers costs for projects when it believes they are more likely than not to be completed. If this probability subsequently declines, the costs deferred to that date are expensed.

CO₂ Quota

The quota is recognized at its market value on the allocation date. The Corporation then records an asset and a liability for that same amount. The asset represents the allocated quota, while the liability represents the estimated cost of its consumption. The market value of the asset or liability is not subsequently remeasured. However, if estimated consumption exceeds the quota, the Corporation would recognize an additional liability based on market value at that date, which would affect the Corporation's results. On the other hand, if estimated consumption is less than the quota, the Corporation would be in a position to sell its excess quota. In that event, the Corporation must wait until the execution of a sale before it can reduce its assets and liabilities. Finally, if, subsequent to a sale, the Corporation determined that its consumption had increased and that it had insufficient residual quota, it would recognize an additional liability at market value at that date.

FINANCING COSTS

Deferred financing costs are amortized using the effective interest method over the expected useful life of the related liability and are deducted from financial liabilities.

Note 2. Significant accounting policies (Cont'd)

CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

DEFINITION OF TYPES OF FINANCIAL INSTRUMENTS**Held for Trading ("HFT")**

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

Held to Maturity("HTM")

HTM financial assets are non-derivative financial assets with fixed or determinable payments and a fixed maturity, other than loans and receivables, that an entity has the positive intention and ability to hold to maturity. These financial assets are measured at amortized cost. As at December 31, 2010 and 2009, the Corporation did not hold any HTM financial assets.

Available for Sale ("AFS")

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

Loans and Receivables

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

Other Financial Liabilities

Bank loans and advances, accounts payable and accrued liabilities, long-term debt and convertible debentures are recorded at amortized cost using the effective interest method.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

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

Derivative financial instruments are recorded at their estimated fair values under *Fair value of derivative financial instruments* in the Corporation's assets or liabilities depending on whether the fair value is favourable or unfavourable. The estimated fair value is determined using pricing models that take into account current market prices and contract prices for the underlying instruments, the time value of money, counterparty credit risk and yield curves or future prices.

Note 2. Significant accounting policies (Cont'd)

Embedded Derivatives

Derivatives embedded in other financial instruments or contracts are separated from their host contracts and accounted for as derivatives when their economic characteristics and risks are not closely related to those of the host contract. Embedded derivatives are measured at fair value with changes in fair value recognized in earnings. As at December 31, 2010 and 2009, the Corporation did not hold any embedded derivatives that required separate presentation from the related host contract.

Derivative Financial Instruments Held for Trading

For these derivative financial instruments, changes in fair value and the final settlement would be immediately recognized in the Corporation's earnings under *Net loss on financial instruments*. As at December 31, 2010 and 2009, all derivative financial instruments held by the Corporation were designated as hedging items.

Derivative Financial Instruments Designated as Hedges

As the Corporation uses hedge accounting for all derivative financial instruments held, the risk management objective and strategy for hedging transactions as well as all relationships between its hedging instruments and the hedged items are documented. This process involves associating specific balance sheet assets or liabilities, firm commitments or anticipated transactions with each derivative. The Corporation also determines whether the derivatives used for hedging are effective in achieving offsetting changes in the fair value or cash flows of the hedged items. Throughout the hedging relationship, the Corporation must have assurance that the relationships remain highly effective and consistent with its risk management strategy.

If a hedging instrument ceases to exist or to be effective before maturing and is not replaced in accordance with the documented hedging strategy, the hedge is terminated and the accumulated amount of all gains or losses in *Other comprehensive income (loss)* related to that hedging instrument as of that date are recognized in earnings over the period in which the underlying hedged transaction is recognized. Any subsequent changes in the fair value of the hedging instrument are charged directly to earnings. If the hedged item ceases to exist due to its maturity, expiry, cancellation or exercise, deferred gains or losses, as well as subsequent changes in the value of the hedging instrument, are charged to earnings.

Under hedge accounting, gains, losses, revenue and expenses arising from the derivative financial instrument designated in a hedging relationship must be recognized in the same period as those arising from the hedged item. Changes in fair value are recorded under *Accumulated other comprehensive income (loss)* until the settlement date of the derivative instrument, except for the ineffective portion of the derivative financial instruments, which is immediately included in earnings under *Net loss on financial instruments*. Payments made or received with respect to derivative financial instruments used for hedging are included in *Revenues from energy sales* for electricity-related financial swaps and under *Financing costs* for interest rate swaps and interest rate forward contracts. For derivative financial instruments designated as hedges of future capital asset purchases, payments are recorded against the capital asset hedged.

TRANSACTION COSTS

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

INCOME TAXES

The Corporation uses the liability method in accounting for income taxes. Under this method, future income taxes are determined using the difference between the accounting and tax bases of assets and liabilities. The tax rate in effect when these differences will reverse is used to calculate future income taxes at the balance sheet date. Future income tax assets arising from tax loss carryforwards and temporary differences are recognized when it is more likely than not that such assets will be realized.

FOREIGN CURRENCY TRANSLATION

Foreign Currency Transactions

Transactions denominated in foreign currencies are recorded at the exchange rate prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into the local currency at the rate of exchange prevailing at the balance sheet date. Unrealized gains and losses on translation of monetary assets and liabilities are included in the determination of net earnings for the year.

Note 2. Significant accounting policies (Cont'd)

Foreign Operations

The Corporation's foreign operations are defined as self-sustaining. The assets and liabilities of these operations are translated into Canadian dollars at the exchange rate prevailing at the balance sheet date. Revenues and expenses are translated at the average exchange rate for the year. Translation gains or losses are deferred and included in *Accumulated other comprehensive income (loss)*.

STOCK-BASED COMPENSATION AND OTHER STOCK-BASED PAYMENTS

The Corporation uses the fair value method to record stock options issued to senior management and executives. According to this method, an amount is expensed based on the exercise conditions of the options awarded. Fair value is determined using the Black-Scholes option pricing model, which was designed to estimate the fair value of exchange traded options that have no restrictions as to vesting and are entirely transferable. Some of the outstanding options carry restrictions but, in the Corporation's opinion, the Black-Scholes model provides an appropriate estimate of fair value in these cases. Any consideration paid by employees on the exercise of stock options is credited to *Capital stock*.

Stock option expense is recorded under *Administrative* expenses and the cumulative value of unexercised options outstanding is included under *Contributed surplus*.

PER SHARE AMOUNTS

Per share amounts are determined based on the weighted average number of Class A shares outstanding during the year. Diluted amounts per common share are calculated using the treasury stock method to determine the dilutive effect of the stock options and the "if converted" method for convertible debentures. For options that have a dilutive effect, i.e. when the average share price for the period is higher than the exercise price of the options, these methods assume that the options have been exercised at the beginning of the period and that the resulting proceeds have been used to buy back common shares of the Corporation at their average price during the period.

ASSET RETIREMENT OBLIGATIONS

An asset retirement obligation is recognized at its fair value in the period in which the legal obligation is incurred. A conditional asset retirement obligation is recognized at its fair value when it can be reasonably estimated. The related costs are capitalized, which increases the value of the asset, and are amortized over the asset's useful life. The obligation is discounted using a credit-adjusted risk-free rate.

The Corporation has no contractual asset retirement obligations. However, according to current regulations, the Corporation may be obliged to carry out certain work should it discontinue some of its activities. Under the regulations, lessees must leave property in the same condition as when they arrived. However, structures or buildings can normally be handed over to the lessor, without compensation, should it prove impossible to remove them. This is generally the case for hydroelectric facilities, whose presence modifies the ecosystem and economic life in surrounding areas. It is usually more beneficial for the environment, local residents and companies to keep the dam.

With respect to wind power stations, there is a French regulation that requires the owner to dismantle the facilities when deciding to discontinue operations. These dismantling costs are mostly related to the removal, transportation and disposal of the reinforced concrete bases that support the wind turbines. The estimated cost of this work varies from \$70,000 to \$140,000 per wind turbine. The current business plan does not anticipate that the Corporation will stop operating these sites.

Lastly, the Corporation has environmental obligations with respect to its wood-residue thermal power stations. If a power station were to be sold, the Corporation would be responsible for removing the piles of wood residue and environmental protection membranes. The Corporation has determined that the wood residue would be burned to produce electricity and that additional cleaning costs would be approximately \$100,000 to \$150,000 per site. However, since this obligation only applies when a site is sold and that the resulting costs would be negligible in relation to the value of the other assets in this type of power station, the costs would likely be included in the transaction and the Corporation would not have to pay anything.

In short, no liability was recorded because the Corporation plans to use these assets for an indefinite period. For these property, plant and equipment, the information available is insufficient to determine a realistic schedule for future asset retirement. A liability will be recorded in the period in which the Corporation obtains sufficient information to establish such a schedule.

COMPARATIVE FIGURES

Certain items of the prior year's consolidated financial statements have been reclassified to conform to the presentation adopted in 2010.

Note 3.

CHANGES IN ACCOUNTING POLICIES

BUSINESS COMBINATIONS, CONSOLIDATED FINANCIAL STATEMENTS AND NON-CONTROLLING INTERESTS

In January 2009, the Canadian Institute of Chartered Accountants (“CICA”) issued three new accounting standards: Section 1582, *Business Combinations*, Section 1601, *Consolidated Financial Statements*, and Section 1602, *Non-controlling Interests*. These new standards will be effective for financial statements for fiscal years beginning on or after January 1, 2011, but early adoption is permitted. Boralex adopted these standards on January 1, 2010.

Section 1582 replaces former Section 1581, *Business Combinations*, and establishes standards for the accounting of business combinations. The new standard requires that the acquiring entity in a business combination recognize most of the assets acquired and liabilities assumed in the transaction at fair value, including contingent assets and liabilities, and recognize and measure the goodwill acquired in the business combination or a gain resulting from a bargain purchase. Acquisition-related costs are also to be expensed. The adoption of Section 1582 did not materially impact the financial statements issued prior to January 1, 2010, but it affected and will affect the accounting for acquisitions after the effective date. The Section is the Canadian equivalent of International Financial Reporting Standard IFRS 3, *Business Combinations*.

Sections 1601 and 1602 supersede former Section 1600, *Consolidated Financial Statements*. Section 1601 carries forward guidance from Section 1600 with the exception of non-controlling interests which are addressed in a separate section. Section 1602 requires that the Corporation report non-controlling interests within equity separately from the parent owners’ equity, and transactions between an entity and non-controlling interests as capital transactions. As a result of this adoption, the Corporation reclassified non-controlling interests in the amount of \$7,031,000 from *Liabilities* to *Equity* in the December 31, 2009 consolidated balance sheet. Additionally, net earnings are to be reported with separate disclosure of the amounts attributable to the shareholders of the Corporation and to the non-controlling interests in the consolidated statement of earnings. This Section is the equivalent of International Accounting Standard IAS 27, *Consolidated and Separate Financial Statements*.

Note 4.

BUSINESS ACQUISITIONS

ACQUISITION OF THE FUND – DESCRIPTION OF TRANSACTION

On September 15, 2010, Boralex announced the acquisition of approximately 68% of issued and outstanding units of the Boralex Power Income Fund (the “Fund”) pursuant to its takeover bid launched in May 2010 to acquire the Fund (the “Offer”).

On November 1, 2010, Boralex and the Fund executed the business combination agreement approved by the special meeting of unitholders of the Fund held on October 21, 2010. On November 2, 2010, Boralex proceeded with the payment in cash and through the issuance of convertible debentures for all the units of the Fund still outstanding at the time of the business combination. Boralex completed the privatization of the Fund by applying to have the Fund’s status as a reporting issuer revoked and to have the units delisted from the Toronto Stock Exchange. Total consideration paid to unitholders amounted to \$226,500,000 through a combination of \$90,600,000 in cash and the issuance of convertible debentures valued at \$135,900,000.

Note 4. Business acquisitions (Cont'd)

ACQUISITION OF THE FUND — RECOGNITION OF TRANSACTION

The Corporation accounted for the acquisition using the acquisition method set out in *CICA Handbook* Section 1582, *Business Combinations*. The Fund's earnings (losses) were consolidated as of September 15, 2010 with a share of non-controlling interests through October 30, 2010. The balance sheet of the Fund was consolidated as at December 31, 2010. The acquisition of the Fund was carried out in two steps: (1) Deemed disposal of the Corporation's interest in the Fund and calculation of the gain on the disposal, and (2) Acquisition of all the units of the Fund at fair value.

(1) Deemed disposal of investment and calculation of corresponding gain as at September 15, 2010:

The \$21,260,000 gain on disposal of the 23% investment in the Fund is calculated as follows:

Carrying amount of investment in the Fund as at September 15, 2010	47,574
Fair value of investment (13,767,990 units at \$5 per unit)	68,840
	21,266
Realized cumulative translation adjustments of the Fund	(6)
Gain on deemed disposal of investment	21,260

The gain on deemed disposal of investment, net of acquisition-related costs, was recognized in the statement of earnings as a net amount of \$15,130,000.

(2) Acquisition of the Fund:

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

Working capital	19,887
Available-for-sale financial asset	22,235
Property, plant and equipment	277,740
Energy sales contracts	49,164
Other long-term assets	5,950
Long-term debt	(117,867)
Financial instrument	(1,477)
Long-term lease accruals	(2,995)
Future income taxes	(28,018)
Net assets	224,619
Goodwill	70,721
Fair value	295,340
Less:	
Cash and cash equivalents acquired	(19,368)
Issuance of convertible debentures	(135,900)
Value of units already held by Boralex	(68,840)
Total cash consideration paid for acquisition	71,232
Cash consideration paid at time of acquisition	38,811
Cash consideration paid for the purchase of non-controlling interests	32,421
Total cash consideration paid for acquisition	71,232

The purchase price allocation was based mainly on the carrying amounts at the acquisition date with the balance allocated to goodwill. This purchase price allocation is preliminary and should be finalized in 2011.

For the year ended December 31, 2010 the Fund, on a stand-alone basis, contributed revenues from energy sales totalling \$30,205,000 and net earnings of \$421,000 to consolidated earnings, representing amounts as of the September 15, 2010 acquisition date. Had the acquisition occurred on January 1, 2010, the equivalent of 12 months of the Fund's results would have been included in the consolidated results and management estimates that consolidated revenues from energy sales and net earnings attributable to shareholders would have amounted to \$265,168,000 and \$6,974,000, respectively, for the year ended December 31, 2010. These estimates are based on the assumption that the fair value adjustments that arose on the date of acquisition would have been the same had the acquisition occurred on January 1, 2010.

Note 4. Business acquisitions (Cont'd)

OTHER ACQUISITIONS - DESCRIPTION OF TRANSACTIONS

On April 6, 2009, the Corporation announced the completion of the acquisition of the Ocean Falls hydroelectric power station. The purchase price amounted to \$19,000,000, of which \$4,500,000 was paid on the closing date, and \$500,000 in June 2008. The \$14,000,000 balance of the purchase price is payable over the next two years, with \$5,000,000 to be paid on April 1, 2010 and \$9,000,000 on April 1, 2011. In addition, if Boralex were to arrange financing before April 1, 2011, the net proceeds of that financing, up to the balance of the purchase price, would be payable to the seller. This loan bears interest at 6% per annum. The Corporation has also committed to invest approximately \$3,000,000 to complete maintenance work on the dam and modernize certain facilities.

On July 15, November 9 and December 7, 2009, Boralex exercised three of the nine options it acquired from Gengrowth LP in July 2007. The exercise of these options resulted in the acquisition of three companies with power sales contracts, wind measures, land lease options and the various permits required to build wind power stations. Each wind power station will have a 10 MW installed capacity and construction began in November 2009. Consideration consisted of \$4,728,000 in cash and was recognized under *Energy sales contracts*.

On October 5, 2009, the Corporation announced the completion of the acquisition of the new 9.2 MW Chasse Marée wind farm in France. The purchase price amounted to \$6,648,000 (€4,315,000).

On December 29, 2009, the Corporation announced the acquisition of three wind farms in France—Ronchois, Le Grand Camp and Bel Air—representing 47 MW, for a consideration of \$37,613,000 (€25,183,000), of which \$19,618,000 was paid in cash and \$17,995,000 (€11,700,000) was secured under the Boralex Massif Central master agreement for Ronchois and Le Grand Camp. Financing of \$9,214,000 (€5,991,000) was already in place for Bel Air at the time of the transaction.

The final allocation of the purchase price for these acquisitions is as follows:

	2009				
	Ocean Falls	Thames River II	Chasse Marée	Ronchois/ Le Grand Camp/ Bel Air	Total
Working capital	-	-	600	3,037	3,637
Land	75	-	-	-	75
Building	1,136	-	-	-	1,136
Assets under construction	-	-	1,124	20,575	21,699
Equipment	14,038	-	-	11,249	25,287
Replacement parts	100	-	-	-	100
Rolling stock	109	-	-	-	109
Energy sales contracts	614	4,728	4,924	12,612	22,878
Water rights	3,197	-	-	-	3,197
Fair value of derivative financial instruments	-	-	-	(646)	(646)
Net assets	19,269	4,728	6,648	46,827	77,472
Deposit paid in 2008	(500)	-	-	-	(500)
Balance of sale	(14,000)	-	-	(9,214)	(23,214)
Disbursements during the year	4,769	4,728	6,648	37,613	53,758

Note 5.

INVESTMENT

The Fund is an income trust in which the Corporation held a 23% interest as at December 31, 2009, a 73% interest as at September 30, 2010 and a 100% interest as at December 31, 2010.

(a) Changes to the investment in the Fund consist of the following:

	2010	2009
Balance – beginning of year	55,446	69,348
Share in earnings ⁽¹⁾	(3,251)	(2,090)
Share in distributions	(4,615)	(9,638)
Share in cumulative translation adjustments	(6)	(2,174)
Deemed disposal (note 4)	(47,574)	–
	–	55,446

(1) This includes Boralex's share in the Fund's property, plant and equipment impairment charge, amounting to \$5,620,000 (\$4,136,000 net of taxes) which was recorded during fiscal 2010. In 2009, this included Boralex's share in the Fund's property, plant and equipment impairment charge, amounting to \$5,624,000 (\$4,132,000 net of taxes) which was recorded during fiscal 2009.

(b) In relation to the Fund, prior to the September 15, 2010 takeover date:

(i) Under the terms of a management agreement ending February 19, 2022 with renewable successive five-year terms, subject to fulfillment of the manager's obligations, the Corporation undertook to provide supervision, operation, maintenance, security, management and administration services for seven power stations. These services cover all employee wages, salaries and benefits related to these facilities, as well as the use of the Corporation's centralized control system. The fee is indexed annually based on the Consumer Price Index for the preceding 12 months. For the year ended December 31, 2010, the revenues related to this agreement totalled \$3,609,000 (\$4,997,000 in 2009).

(ii) The Corporation undertook to provide, according to terms similar to those described in (i), the complete management of two hydroelectric power stations located in the State of New York (the "Adirondack facilities") and owned by the Fund. More specifically, the amounts payable under this agreement are limited to operating expenses and annual compensation to the Corporation covering the employee wages, salaries and benefits related to the operation, supervision, maintenance, security, management and administration of the Adirondack facilities and of the overhead expenses thereof. The revenues related to this agreement amounted to \$336,000 for the year ended December 31, 2010 (\$452,000 in 2009).

(iii) Under an agreement, Boralex Power Limited Partnership ("BPLP") entrusted the management and operation of the Dolbeau power station to Boralex. This agreement is valid during the entire temporary resumption of operations at Dolbeau and totalled \$492,000 in 2010 (\$427,000 in 2009).

(c) Management revenues from the Fund were generated in the normal course of business and are related to the commitments described in (b) above. Furthermore, as at December 31, 2009, the balance sheet included a net amount receivable from the Fund of \$1,705,000, including \$803,000 in the form of distributions receivable.

Note 6.

PROPERTY, PLANT AND EQUIPMENT

	2010		
	<i>Cost</i>	<i>Accumulated amortization</i>	<i>Net amount</i>
Wind power stations	481,574	60,899	420,675
Hydroelectric power stations	203,750	5,417	198,333
Wood-residue thermal power stations	213,063	53,437	159,626
Natural gas thermal power stations	31,403	10,568	20,835
Corporate and other	14,632	3,401	11,231
	944,422	133,722	810,700

	2009		
	<i>Cost</i>	<i>Accumulated amortization</i>	<i>Net amount</i>
Wind power stations	338,723	50,498	288,225
Hydroelectric power stations	29,759	4,001	25,758
Wood-residue thermal power stations	132,440	47,780	84,660
Natural gas thermal power stations	15,749	8,599	7,150
Corporate and other	10,566	2,820	7,746
	527,237	113,698	413,539

Amortization of property, plant and equipment amounted to \$34,990,000 for the year ended December 31, 2010 (\$24,010,000 in 2009) including \$1,795,000 related to capital leases (\$1,920,000 in 2009). These amounts are recognized under *Amortization*. Cost and accumulated amortization of assets under capital leases as at December 31, 2010 totalled \$28,649,000 and \$15,324,000, respectively, (\$32,130,000 and \$15,168,000 as at December 31, 2009).

Assets include replacement parts amounting to \$4,092,000 (\$2,502,000 in 2009) and power stations under construction totalling \$32,857,000 (\$44,694,000 in 2009). These assets are not amortized until they are commissioned.

As at December 31, 2010, \$12,243,000 in interest was capitalized to the cost of property, plant and equipment (\$4,393,000 as at December 31, 2009).

Note 7.

ENERGY SALES CONTRACTS

	2010	2009
Cost	109,569	55,250
Accumulated amortization	(8,896)	(6,227)
	100,673	49,023

Amortization of long-term power and steam sales contracts amounted to \$4,486,000 for the year ended December 31, 2010 (\$1,992,000 in 2009) and is included in *Amortization*.

Note 8.

OTHER ASSETS

	Note	2010	2009
Renewable energy tax credits	(a)	16,410	19,022
Reserve funds and other funds held in trust	(b)	3,146	2,647
Net investments in finance leases	(c)	11,854	15,146
Fair value of derivative financial instruments	11	–	7,297
CO ₂ quota		860	382
Development projects	(d)	12,434	7,863
Other intangible assets	(e)	2,995	4,264
		47,699	56,621

Amortization of other intangible assets amounted to \$1,182,000 for the year ended December 31, 2010 (\$54,000 in 2009). Those amounts are recognized under *Amortization*.

Notes:

- (a) Renewable energy tax credits represent tax credits earned by the Corporation. Tax credits earned will be used against the Corporation's future income taxes. Financial projections indicate that the amount recorded may be realized in the next five to six years.
- (b) Reserves for long-term debt servicing guarantee financings in France and Canada and represent three to six months of debt servicing, depending on the project. These reserves totalled \$2,616,000 (€1,142,000 or US\$1,100,000). A reserve to finance capital expenditures amounted to \$297,000 (US\$300,000).
- (c) Finance leases for equipment used in the wood-residue segment are entered into with U.S. and Canadian suppliers. As at December 31, 2010, foreign currency receivables from U.S. and Canadian suppliers amounted to US\$10,689,000 (\$10,631,000) and \$1,223,000, respectively.
- (d) *Development projects* primarily consist of one hydroelectric project and one wind power project in Québec, one wind power project in Ontario, one wind power project in Italy and one solar power project in Spain.
- (e) *Other intangible assets* consist mainly of the value assigned to water rights held by the Ocean Falls power station.

Note 9.

LONG-TERM DEBT

Long-term debt includes the following:

	Note	Maturity	Rate ⁰¹	2010	2009
Master agreement – wind power projects (France)	(a)	2017-2022	4.95	192,079	140,327
Term loan payable – Nibas wind farm	(b)	2016	5.00	7,580	9,790
Term loan payable – Stratton power station	(c)	–	–	–	1,985
Capital leases (France)	(d)	2012-2015	4.31	7,079	10,585
Term loan payable – Ocean Falls power station	(e)	2011	6.00	9,000	14,000
Term loan payable – Thames River wind farms	(f)	2031	7.05	184,665	47,700
Term loan payable – Bel Air wind farm	(g)	–	–	–	8,986
Canadian senior secured notes	(g)	2014	6.60	38,328	–
U.S. senior secured notes	(g)	2013	6.20	76,646	–
Term loan payable – solar power plant (France)	(h)	2025-2028	5.15	3,205	–
Other debts		–	–	4,068	2,814
				522,650	236,187
Current portion				(34,033)	(24,273)
Financing costs, net of accumulated amortization				(9,071)	(5,798)
				479,546	206,116

⁰¹ Weighted average annual rates, adjusted to reflect the impact of interest rate swaps.

- (a) The master agreement comprises financing for several wind power projects in France. The agreement provides for a senior credit facility (the “Senior Facility”) and a junior credit facility (the “Junior Facility”), both of which are secured by all project assets. However, the Junior Facility is subordinated to the Senior Facility. As at December 31, 2010, the balance of the Senior Facility stood at \$178,184,000 (€133,781,000) (€87,691,000 as at December 31, 2009), with a Junior Facility balance of \$13,895,000 (€10,432,000) (€5,860,000 as at December 31, 2009). Also as at December 31, 2010, the Projects issued letters of credit amounting to \$13,311,000 (€9,994,000) to cover the various reserves required under the master agreement. The Senior Facility and Junior Facility interest rates are variable and based on the EURIBOR rate, plus a margin, but the Corporation used interest rate swaps to reduce its exposure to rate fluctuations as discussed below. Repayments are made semi-annually over a 15-year period for the Senior Facility and a 10-year period for the Junior Facility, as of each project’s commissioning date. Options for additional financing previously available under the master agreement expired on December 31, 2010.
- (b) This loan payable bears interest at a fixed rate of 5.00% and repayments are quarterly. As at December 31, 2010, the balance stood at €5,691,000 (€6,527,000 as at December 31, 2009). All Nibas wind farm assets were pledged as collateral for this loan.
- (c) The loan was repaid on November 1, 2010 on renegotiation of the new revolving credit facility.
- (d) The capital leases relate to assets located in France. The balance of the leases as at December 31, 2010 was €5,315,000 (€7,056,000 as at December 31, 2009). They bear interest at fixed and variable rates and are repayable on a quarterly basis. The net carrying value of associated capital assets was €10,005,000 (\$13,325,000) as at December 31, 2010 (€11,309,000 as at December 31, 2009).
- (e) This term loan represents the balance of the purchase price of the Ocean Falls power station and bears interest at a fixed rate of 6.00% per annum. The \$9,000,000 balance will be payable on April 1, 2011. Under the terms of the arrangement, if the Corporation arranges financing for the project before April 1, 2011, the net proceeds of that financing, up to the balance of the purchase price, are payable to the seller. All project assets were pledged as collateral for this loan.
- (f) On March 15, 2010, Boralex finalized a new financing arrangement for its Thames River wind farm project in Ontario (the “Project”). This private placement totalling \$194,500,000 is made up of a tranche of \$186,000,000 earmarked for Project construction costs and a second tranche of \$8,500,000 under a letter of credit facility. On March 12, 2010, the total amount of the first tranche was paid into an escrow account in the name of the Project and the term loan issued in September 2009 was repaid in full using these amounts. Under the credit agreement, the escrowed amounts are released as and when Boralex incurs construction costs. The escrowed amount totalled \$15,014,000 as at December 31, 2010. For the power stations in operation, Boralex makes quarterly repayments of principal and interest. For the power stations under construction, the repayments are monthly and only interest is payable until the stations are commissioned. The interest rate is fixed at 7.05% and the debt matures on January 2, 2031. The letter of credit facility is renewable in three years, at the lenders’ option. Any amounts drawn bear interest at the Canadian bankers’ acceptance rate (“BA”) plus 2%. If the facility is undrawn, Boralex pays a standby fee of 2%. All project assets were pledged as collateral for this loan.

Note 9. Long-term debt (Cont'd)

- (g) On acquisition of the Fund, Boralex assumed the Fund's existing debts, including Canadian and U.S. notes with fair market values totalling \$38,618,000 and US\$77,234,000, respectively. The Canadian notes are secured by all of the Canadian assets formerly owned by the Fund, while the U.S. notes are secured by all of the U.S. assets formerly owned by the Fund. Under these agreements, the Corporation is subject to a number of covenants, including the maintenance of certain financial ratios. For the U.S. notes, the loan agreement requires the Corporation to maintain two reserve accounts at all times. The first account, amounting to at least US\$300,000 (\$297,000), serves to fund capital expenditures. The second account is a debt servicing reserve that must meet a minimum of three months of interest payment requirements on this debt, which amount to US\$1,100,000 (\$1,094,000). As at December 31, 2010, deposits in trust totalled US\$1,574,000 (\$1,565,000).
- (h) This loan, secured by the project's assets, represents amounts drawn as at December 31, 2010. The loan consists of €2,052,000 drawn down under a total financing facility of €3,000,000 over 15 years and €354,000 drawn down under a €2,600,000 revolving VAT financing facility. An additional €10,000,000 financing arrangement amortized over 18 years was also entered into. This arrangement was undrawn as at December 31, 2010. The remaining balance under these financing arrangements is expected to be drawn down before June 30, 2011. The first quarterly repayment falls due on June 30, 2012. The interest rate of the € 3,000,000 financing arrangement is variable and is based on the EURIBOR rate, plus a margin, but the Corporation used interest rate swaps to reduce its exposure to rate fluctuations as discussed below. The interest rate on the €10,000,000 financing arrangement is fixed at 2.05% over a 10-year period, plus a margin. The rate will then be revised as of the 11th year and fixed for the remainder of the loan. The Corporation also used an interest rate swap to reduce its exposure to this future rate.

Amortization of deferred financing costs amounted to \$3,033,000 for the year ended December 31, 2010 (\$841,000 in 2009). Amortization for fiscal 2010 includes an amount \$2,735,000 for the amortization of the balance of the deferred financing costs under the Thames River site's former financing arrangement.

REVOLVING CREDIT FACILITY

The revolving credit facility was automatically terminated as soon as the full takeover of the Fund was completed, as at November 1, 2010. Boralex negotiated a new revolving credit facility for an amount of \$40,000,000 with a three-year term. For drawdowns in US dollars, the interest rate is based on the LIBOR or U.S. prime rate plus a margin, while interest on Canadian dollar drawdowns is calculated using the BA or prime rate plus their respective margins. This facility is secured by the assets of the parent company and Boralex's investments in its U.S. operations. This new facility was also subject to the repayment and cancellation of the term loan payable of the Stratton power station and the Fund's revolving operating credit facility. Upon entering into the new revolving credit facility, the letters of credit outstanding were automatically transferred. As at December 31, 2010, letters of credit totalling \$8,895,000 had been issued.

INTEREST RATE SWAPS

The revolving credit facility, master agreement and a portion of certain capital leases bear interest at variable rates. To mitigate interest rate risk, the Corporation has entered into interest rate swaps to obtain a fixed interest expense on a portion ranging from 89% to 100% of the corresponding variable rate debt. These agreements involve the periodic exchange of interest payments without any exchange of the notional amount on which payments are calculated. Under these agreements, the Corporation receives a variable amount based on the EURIBOR rate and pays fixed amounts based on rates ranging from 3.29% to 5.16%.

Since the credit is drawn progressively and the loans are periodically repaid when sites are commissioned, the swaps have been structured to mirror the terms of the underlying credit arrangements and to always cover a significant portion of these arrangements. By using these instruments, Boralex has reduced the portion of its variable rate debt from 38% to 4%.

Note 9. Long-term debt (Cont'd)

FINANCIAL RATIOS AND GUARANTEES

The debt agreements include certain restrictions governing the use of cash resources of the Corporation's subsidiaries. As well, certain financial ratios, such as debt service ratios, must meet designated levels on a quarterly, semi-annual or annual basis.

The Senior Facility, Junior Facility, senior secured notes and certain other debts or interest rate swaps include requirements to establish and maintain reserve accounts to cover short-term debt servicing, equipment maintenance and income taxes at various times over the terms of the agreements. As at December 31, 2010, \$3,146,000 (\$2,647,000 as at December 31, 2009) was kept in reserve fund accounts for this purpose. These amounts are included in *Other assets* in the Corporation's consolidated balance sheet.

The Thames River wind farm private placement credit agreement contains certain covenants that are typical for wind power project financing. For instance, the Project must meet a minimum debt service ratio to be authorized to pay distributions to its shareholder Boralex. During the construction period, total operating cash flows must be used for construction of the remaining sites.

For the senior secured notes, if certain ratios were to fall below preset levels, Boralex would be required to deposit an additional US\$400,000 (\$398,000) each month until such time as this reserve covers a maximum of 12 months of interest payments. If the financial ratios were to subsequently rise above the set threshold for more than two consecutive quarters, Boralex would be able to recover the excess of deposits over the required minimum. Throughout the 12-month period ended December 31, 2010, Boralex was in compliance with all of its financial ratio requirements. The senior secured notes and the term loan for the Thames River wind farm project may be repaid early subject to the payment of a premium, which is calculated by discounting the expected future payments using the risk-free rate plus a margin of 45 to 50 basis points, depending on the debt. Under current market conditions, this would result in a significant premium.

MINIMUM FUTURE PAYMENTS

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

2011	34,034
2012	22,169
2013	98,905
2014	62,232
2015	24,184
Thereafter	281,823

Note 10.

CONVERTIBLE DEBENTURES

On September 15, 2010, the Corporation closed its bought deal financing of extendible convertible unsecured subordinated debentures with a syndicate of underwriters for gross proceeds of \$95,000,000. The underwriting agreement also included an option allowing the underwriters to acquire additional debentures for \$14,250,000 under the same terms and conditions. On September 29, 2010, the underwriters exercised their option and Boralex issued the full stipulated amount of \$14,250,000.

The debentures mature on June 30, 2017. The convertible debentures bear interest at an annual rate of 6.75% payable semi-annually, in arrears, on June 30 and December 31 each year commencing on December 31, 2010.

Each debenture is convertible into Class A shares of Boralex at the option of the holder at any time prior to the close of business on the earlier of the final maturity date and the business day immediately preceding the date fixed for redemption of the debentures at a conversion price of \$12.50 per common share, being a conversion rate of approximately 8.0 common shares for each \$100 principal amount of debentures, subject to adjustments in accordance with the trust indenture. Holders converting their debentures will receive accrued and unpaid interest thereon for the period from the last interest payment date on their debentures, to, but not including, the date of conversion.

The Company made payments on September 16 and 29, 2010 and November 2, 2010 to take up all outstanding trust units of the Fund (see note 4). These payments were made in part through the issuance of debentures valued at \$135,900,000 under the same terms of the debentures issued on September 15, 2010, with the remaining portion paid in cash.

Using acceptable pricing models and the 8.50% interest rate prevailing at the date of issuance for instruments with similar conditions and risk, the debentures were segregated based on the respective fair values of their debt and equity components. As at December 31, 2010, the total value of issued debentures amounted to \$245,150,000, of which \$19,537,000 was allocated to the equity component.

The debt component, representing the value allocated to the liability at inception, is accounted for as a long-term liability. To accrete the debt to its face value, the Corporation will record additional expense in the debt component through to maturity, which is a seven-year period.

As at December 31, 2010, the value of convertible debentures was determined as follows:

Convertible debentures issued, net of \$26 in conversions	245,124
Equity component of convertible debentures	(19,537)
Costs related to issue of convertible debentures, net of accumulated amortization of \$19	(5,174)
Imputed interest on convertible debentures of 8.50%	411
	220,824

Note 11.

FINANCIAL INSTRUMENTS

CLASSIFICATION OF FINANCIAL INSTRUMENTS

The classification of financial instruments as at December 31, 2010 and 2009, complete with the respective carrying amounts and fair values, is as follows:

	2010		2009	
	<i>Carrying amount</i>	<i>Fair value</i>	<i>Carrying amount</i>	<i>Fair value</i>
HELD FOR TRADING				
Cash and cash equivalents	92,650	92,650	37,821	37,821
Restricted cash	15,924	15,924	-	-
AVAILABLE FOR SALE				
Available-for-sale financial asset	21,508	21,508	-	-
LOANS AND RECEIVABLES				
Accounts receivable	60,420	60,420	39,632	39,632
Restricted funds and other funds held in trust	3,146	3,146	2,647	2,647
OTHER FINANCIAL LIABILITIES				
Bank loans and advances	195	195	12,291	12,291
Accounts payable and accrued liabilities	58,815	58,815	28,913	28,913
Long-term debt	522,650	535,890	236,187	236,247
Convertible debentures	245,124	251,252	-	-

The fair value of the derivative financial instruments designated as cash flow hedges as at December 31, 2010 and 2009 are detailed as follows:

	2010	2009
FINANCIAL ASSETS		
Foreign exchange forward contracts	104	422
Interest rate forward contracts	-	1,092
Financial swaps – electricity prices	665	5,783
	769	7,297
FINANCIAL LIABILITIES		
Foreign exchange forward contracts	183	896
Financial swaps - commodities	2,632	-
Financial swaps – interest rates	8,202	6,749
	11,017	7,645

DETERMINING THE FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The fair values of cash and cash equivalents, restricted cash, accounts receivable, reserve funds and other funds held in trust, bank loans and advances, accounts payable and accrued liabilities and other liabilities approximate their carrying amounts due to their short-term maturities.

Note 11. Financial instruments (Cont'd)

The fair value of long-term debt is essentially based on the calculation of discounted cash flows. Discount rates were determined based on local government bond yields adjusted for the risks specific to each of the borrowings and for the credit market liquidity conditions. The convertible debentures are traded on the stock exchange and their fair market value is based on their price as at December 31, 2010.

December 31, 2010	Maturity	Rate ⁽¹⁾	Discount rate	Fair value
Master agreement – wind power projects (France)	2017-2022	4.95	4.95	192,079
Term loan payable – Nibas wind farm	2016	5.00	5.02	7,065
Capital leases (France) – fixed portion	2012-2015	4.65	3.97	5,412
Capital leases (France) – variable portion	2012-2015	4.00	4.00	2,823
Term loan payable – Ocean Falls power station	2011	6.00	4.90	9,425
Term loan payable – Thames River wind farms	2031	7.05	6.45	197,208
Canadian senior secured notes	2014	6.60	4.19	38,925
U.S. senior secured notes	2013	6.20	3.40	75,735
Term loan payable – solar power station (France)	2025-2028	5.15	5.15	3,205
Convertible debentures	2017	6.75	–	251,252
Other debts	–	–	–	4,013

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

FOREIGN EXCHANGE FORWARD CONTRACTS

The fair values of foreign exchange forward contracts are determined using a generally accepted technique, namely the discounted value of the difference between the value of the contract at expiry calculated using the contracted exchange rate and the exchange rate the financial institution would use if it renegotiated the same contract under the same conditions as at the balance sheet date. The discount rates are adjusted for the credit risk of the Corporation or of the counterparty, as applicable. When determining credit risk adjustments, Boralex considers offsetting agreements, if any.

The following table summarizes the Corporation's commitments under foreign exchange forward contracts as at December 31, 2010:

December 31, 2010	Maturity	Exchange rate	Notional amount	Fair value
SALES CONTRACTS				
Foreign exchange forward contracts (US\$ for C\$)	February 17, 2011	1.1254	US\$800	C\$104
Foreign exchange forward contracts (€ for C\$)	November 30, 2011	1.3848	€4,000	C\$(183)

FINANCIAL SWAPS – ELECTRICITY PRICES

Boralex uses multiple data sources to determine forward pricing for power. Where possible, the Corporation relies on published bids and offers by active brokers as the best indicator of current market conditions. For terms where pricing is incomplete or insufficiently liquid for publishing purposes, Boralex uses power settlement assessments from CME ClearPort. Where these prices are not specific enough for monthly valuations, Boralex establishes monthly pricing using management assumptions with respect to seasonal or annual prices. With respect to floating price swaps based on trading hubs deemed insufficiently active, adjustments are made for basis differentials. These adjustments are based on available historical data regarding location pricing differences arising mainly from network congestion and electricity losses.

The following table summarizes the Corporation's commitments under electricity price financial swaps as at December 31, 2010:

December 31, 2010	Maturity	Fixed price per MWh	MWh hedged	Fair value
Financial swaps – electricity prices	February 28, 2011	\$79	35,400	C\$665

Note 11. Financial instruments (Cont'd)

FINANCIAL SWAPS - COMMODITIES

The fair value of commodity financial swaps is determined using the discounted value of expected cash flows. Expected future cash flows are determined using forward prices or rates in effect on the valuation date of the underlying financial index (exchange rate or commodity price) under the contractual terms of the instrument. These cash flows are then discounted using a curve that reflects the credit risk of Boralex or of the counterparty, as applicable.

The following table summarizes the Corporation's commitments under commodity financial swaps as at December 31, 2010:

December 31, 2010	<i>Maturity</i>	<i>Current notional</i>	<i>Fixed price</i>	<i>Fair value</i>
Commodity financial swaps – natural gas	November 30, 2012	2,772,000 gigajoules	C\$5,165	C\$(2,496)
Commodity financial swaps – fuel oil	November 30, 2012	168,000 barrels	C\$79.50	C\$(136)

FINANCIAL SWAPS - INTEREST RATES

The fair value of interest rate financial swaps is established by mapping expected cash flows on a yield curve that reflects the underlying floating index. These cash flows are then discounted using a curve that reflects the credit risk of Boralex or of the counterparty, as applicable.

The following table summarizes the Corporation's commitments under interest rate swaps as at December 31, 2010:

December 31, 2010	<i>Currency</i>	<i>Fixed-rate payer</i>	<i>Floating-rate receiver</i>	<i>Maturity</i>	<i>Current notional</i>	<i>Fair value</i>
Financial swaps – interest rates	euros	3.295% to 5.155%	6-month EURIBOR	2015 - 2028	€136,324	C\$(8,202)

Note 11. Financial instruments (Cont'd)

HIERARCHY OF FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

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

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

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

For foreign exchange forward contracts, the Corporation classified the fair value measurements as Level 2 since they are based mainly on observable market data, namely interest rates and exchange rates.

For electricity price financial swaps, the Corporation classified the fair value measurements as Level 3 since although they are based mainly on observable market data, they are also determined by assumptions made by management.

For foreign exchange forward contracts, financial swaps – commodities and interest rates, the Corporation classified the fair value measurements as Level 2 since they are based mainly on observable market data, namely interest rates.

The following table classifies the Corporation's financial instruments according to the hierarchical level of the fair value measurement:

	<i>Fair value measurement, according to the following levels:</i>			
	<i>December 31, 2010</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
FINANCIAL ASSETS				
Cash and cash equivalents	92,650	92,650	–	–
Restricted cash	15,924	15,924	–	–
Available-for-sale financial asset	21,508	21,508	–	–
Reserve funds	3,146	3,146	–	–
Foreign exchange forward contracts	104	–	104	–
Financial swaps – electricity prices	665	–	–	665
	133,997	133,228	104	665
FINANCIAL LIABILITIES				
Foreign exchange forward contracts	183	–	183	–
Financial swaps – commodities	2,632	–	2,632	–
Financial swaps – interest rates	8,202	–	8,202	–
	11,017	–	11,017	–
	<i>Fair value measurement, according to the following levels:</i>			
	<i>December 31, 2009</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
FINANCIAL ASSETS				
Cash and cash equivalents	37,821	37,821	–	–
Reserve funds	2,647	2,647	–	–
Foreign exchange forward contracts	422	–	422	–
Interest rate forward contracts	1,092	–	1,092	–
Financial swaps – electricity prices	5,783	–	–	5,783
	47,765	40,468	1,514	5,783
FINANCIAL LIABILITIES				
Foreign exchange forward contracts	896	–	896	–
Financial swaps – interest rates	6,749	–	6,749	–
	7,645	–	7,645	–

Note 11. Financial instruments (Cont'd)

The table below reconciles the opening and closing balances for assets measured at fair value using a measurement technique where significant data are not observable market data (Level 3):

December 31, 2010	<i>Derivative financial instruments measured at fair value (Level 3 measurement)</i>
Balance – beginning of year	5,783
Total gains (losses)	
In net earnings (loss)	
Net loss on financial instruments	(1)
In other comprehensive income (loss)	
Change in fair value of financial instruments	3,442
Unrealized foreign exchange loss	(122)
Settlements	(8,437)
Balance – end of year	665

MANAGEMENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

MARKET RISK**Foreign Exchange Risk**

In the normal course of business, the Corporation is not significantly exposed to currency fluctuations because its foreign operations are self-sustaining and it generally retains liquid assets in the country in which they are generated to continue developing such foreign operations in their country of origin. The Corporation is exposed, however, to a foreign exchange risk relating to certain transactions entered into in foreign currencies.

Specifically, a proportion of the raw materials used in the Corporation's wood-residue power stations in the United States is purchased with Canadian dollars. In this regard, in fiscal 2009, the Corporation entered into forward contracts to sell US\$200,000 each for Canadian dollars with bi-weekly settlements at a weighted average rate of 1.1254 Canadian dollars for one US dollar up to February 17, 2011 to partially hedge purchases in Canadian dollars at its Fort Fairfield power station in the United States. The Corporation uses hedge accounting for these contracts such that the effective portion of gains and losses resulting from changes in fair value of these forward contracts is recognized in *Other comprehensive income (loss)* while the ineffective portion is charged to net earnings (loss). Amounts are accumulated under *Other comprehensive income (loss)* until the hedged item is realized, namely the purchases of wood residue in Canadian dollars, at which date the amounts are transferred to net earnings by adjusting the carrying amount of purchases made in Canadian dollars during the period. As at December 31, 2010, a \$509,000 gain before tax was recognized in *Other comprehensive income (loss)* and set off against the cost of wood-residue purchases. As the contracts expire in February 2011, the Corporation expects to reclassify the entire balance in 2011. Except for raw material purchases in Canadian dollars by U.S. power stations, the majority of other operating, investing and financing transactions are carried out in the power stations' local currencies.

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

With regard to the Ontario Thames River site, the turbine supplier is European, which means that purchases by Boralex will be mainly settled in euros, whereas the operation of these wind farms will generate cash flows in Canadian dollars. To protect the expected project return, the Corporation entered into forward contracts between 2008 and 2010, setting the exchange rate at an average of C\$1.4872 per euro on all turbine purchases. Since the Corporation applied hedge accounting to all foreign exchange contracts, gains and losses resulting from the change in fair value of the effective portion of these hedging items are included under *Other comprehensive income (loss)* until the date of purchase of the underlying capital assets. Their purchase cost is then adjusted for such amount. Accordingly, in fiscal 2010, a total foreign exchange loss of \$5,652,000 was transferred from *Other comprehensive income (loss)* and added to the cost of turbine purchases. As at December 31, 2010, a credit balance of \$111,000 (debit balance of \$66,000 in 2009) was recognized under *Other comprehensive income (loss)*. The cost of turbines will be adjusted for this full amount at the time of disbursements scheduled for 2011.

Note 11. Financial instruments (Cont'd)

With regard to the Seigneurie de Beaupré wind farm in Québec, the turbine supplier is European, which means that purchases will be mainly settled in euros, whereas the operation of these wind farms will generate cash flows in Canadian dollars. To protect the expected project return, in 2010, the Corporation entered into forward contracts in the amount of €5,000,000, setting the exchange rate at an average of C\$1.4384 per euro on all turbine purchases. Since the Corporation applied hedge accounting to all foreign exchange contracts, gains and losses resulting from the change in fair value of the effective portion of these hedging items are included under *Other comprehensive income (loss)* until the date of purchase of the underlying capital assets. Their purchase cost is then adjusted for such amount. In fiscal 2010, no amounts were transferred as yet from *Other comprehensive income (loss)* as no payments were made to the supplier. As at December 31, 2010 a debit balance of \$492,000 was recognized under *Other comprehensive income (loss)*. The cost of turbines will be adjusted for this full amount at the time of disbursements scheduled for 2011.

On December 31, 2010, an additional \$0.05 rise or fall in the Canadian dollar against the other currencies, assuming that all other variables had remained the same, would have resulted in a \$537,000 (\$580,000 in 2009) increase or decrease, respectively, in the Corporation's net earnings for the year ended December 31, 2010, whereas *Other comprehensive income (loss)* would have increased or decreased by \$7,009,000 (\$6,716,000 in 2009), respectively, net of taxes.

Price Risk

In the Northeastern United States, a large portion of the Corporation's power generation is sold on the spot market or under short-term contracts and is accordingly subject to fluctuations in electricity prices. Electricity prices vary according to supply, demand and certain external factors, including weather conditions, the price of power from other sources and the cost of the raw materials needed to generate electricity. As a result, prices may fall too low for the power stations to yield an operating profit. The Corporation has implemented hedging strategies to partially set electricity prices and reduce some of these risks. In this regard, the Corporation uses various agreements including some that may involve the physical delivery of electricity. For pricing reasons, it can be advantageous under certain conditions to use financial swaps to exchange the variable market price for a fixed price agreed upon with a counterparty. As at December 31, 2010, the Corporation had entered into an electricity price financial swap for total deliveries of 35,400 MWh up to February 28, 2011 (429,600 MWh in 2009). The favourable fair value of this electricity financial swap amounted to \$665,000 (\$5,783,000 in 2009) as at December 31, 2010 and it was designated as a variable cash flow hedge associated with future electricity deliveries. Accordingly, unrealized gains and losses resulting from changes in fair value of the effective portion of these contracts are included in *Other comprehensive income (loss)* until the corresponding hedged item is recognized in earnings; the change is then recognized in earnings under *Revenues from energy sales*.

Our power stations in France and Canada, as well as those in Middle Falls, Hudson Falls and South Glens Falls have long-term power sales contracts immune to fluctuations in electricity prices. Moreover, the Ashland power station will sell its power on the open market of NEPOOL with 89% of its planned output for the first two months of the fiscal year hedged by a swap. Also, a new two-year power sales contract was entered into for the Fort Fairfield power station in January 2011 and will take effect on March 1, 2011.

The Kingsley Falls cogeneration power station in Québec buys and consumes natural gas the price of which can fluctuate significantly. In addition, the selling price of steam produced by this power station is indexed to the price of oil, which is also subject to fluctuations. To minimize price risk, the Corporation entered into two commodity swap contracts. The first contract effective from November 1, 2011 to November 30, 2012 covers approximately 90% of the power station's natural gas purchases during this period amounting to 2,772,000 gigajoules at a price of \$5.165. As at December 31, 2010, the unfavourable fair value of this commodity swap amounted to \$2,496,000 and it was designated as a variable cash flow hedge associated with future natural gas purchases.

The Corporation also entered into a financial swap for the sale of fuel oil No. 6 effective from December 1, 2010 to November 30, 2012. This instrument is used to offset fluctuations in the index included in the steam selling price formula. Under this contract, Boralex receives a fixed price of \$79.50 per barrel while paying the variable market price for 7,000 barrels per month. The contract covers approximately 50% of the total steam selling price. As at December 31, 2010, the unfavourable fair value of this commodity swap amounted to \$136,000 and it was designated as a variable cash flow hedge associated with future steam deliveries. Accordingly, unrealized gains and losses resulting from changes in fair value of the effective portion of these contracts are included in *Other comprehensive income (loss)* until the corresponding hedged item is recognized in earnings; the changes will then be recognized in earnings under *Operating costs* and *Revenues from energy sales*.

On December 31, 2010, an additional 5% rise or fall in electricity prices, assuming that all other variables had remained the same, would have resulted in a \$853,000 (\$693,000 in 2009) increase or decrease, respectively, in the Corporation's net earnings for the twelve-month period ended December 31, 2010, whereas *Other comprehensive income (loss)* would have decreased or increased by \$124,000 (\$746,000 in 2009), respectively, net of taxes.

Note 11. Financial instruments (Cont'd)

Interest Rate Risk

The revolving credit facility, master agreement, term loan for the solar power station in France, together with a portion of certain leases, bear interest at a variable rate. To mitigate interest rate risk, the Corporation has entered into interest rate swaps to obtain a fixed interest expense on portions ranging from 89% to 100% of the corresponding variable rate debt. These agreements involve the periodic exchange of interest payments without any exchange of the notional amount on which payments are calculated. Under these agreements, the Corporation receives a variable amount based on the EURIBOR rate and pays fixed amounts based on rates ranging from 3.29% to 5.16%. Since the credit is drawn progressively and the loans are periodically repaid when sites are commissioned, the swaps have been structured to mirror the terms of the underlying credit arrangements and to always cover a significant portion of these arrangements. By using these instruments, the Corporation has reduced the proportion of its variable rate debt from 37% to 4%. As at December 31, 2010, the notional balance of these swaps was \$181,570,000 (€136,324,000) (\$186,317,000 in 2009 (€93,011,000 and \$46,800,000)) and their unfavourable fair value amounted to \$8,202,000 (€6,158,000) (\$6,749,000 in 2009 (€4,326,000 and \$259,000)). These swaps mature between 2015 and 2028 and are all subject to cash flow hedge accounting. Accordingly, unrealized gains and losses resulting from changes in fair value of the effective portion of these contracts are included in *Other comprehensive income (loss)* until the corresponding hedged item is recognized in earnings. The contracts are then recognized in earnings as an adjustment to *Financing costs*. The Corporation expects that, over the coming 12 months, an expense totalling approximately \$4,734,000 before tax will be reclassified from *Other comprehensive income (loss)* to earnings. For the year ended December 31, 2010, a pre-tax expense of \$100,000 (\$213,000 in 2009) related to the ineffective portion of these contracts was recognized under *Net loss on financial instruments* in the consolidated statement of earnings.

In connection with the refinancing of Phase I of the Thames River site as well as the financing of Phase II development announced on March 15, 2010, the Corporation had entered into two interest rate forward contracts (Treasury Locks) to offset changes in the expected proceeds of the future issue of this fixed-rate debt arising from fluctuations in interest rates. Hedge accounting was used for these forward contracts and accordingly, periodic changes in the cumulative ineffective portion were recognized in net earnings (loss) within *Other income* while the effective portion of periodic changes in fair value of the hedging items is included in *Other comprehensive income (loss)* until the financing date. Moreover, in connection with the initial financing of Phase I of the Thames River project, the Corporation had entered into an interest rate swap to hedge variable interest rate payments related to this debt. Since the refinancing was done at a fixed rate, Boralex no longer needed this instrument to hedge future interest payments and it was terminated. However, since the item hedged by this swap, namely interest payments related to the Thames River project financing, continued to be a probable event, the loss accumulated in *Other comprehensive income (loss)* was not immediately reclassified to net earnings. As at the refinancing date, accumulated losses on forward contracts and interest rate swaps totalled \$723,000 and \$700,000, respectively. As of that date, the amount accumulated in *Other comprehensive income (loss)* will gradually be reclassified to net earnings as an adjustment to the interest expense on the debt using the effective interest rate method of amortization. As at December 31, 2010, the unamortized unrealized losses of \$687,000 for forward contracts and \$574,000 for the interest rate swap are recognized under *Other comprehensive income (loss)*. The Corporation expects that, over the next 12 months, loss amortization charges on forward contracts and the interest rate swap will amount to \$45,000 and \$159,000, respectively. Last, for the year ended December 31, 2010, a pre-tax expense of \$88,000 related to the ineffective portion of these two types of instruments was recognized under *Net loss on financial instruments* in the consolidated statement of earnings.

On December 31, 2010, a 5% rise or fall in interest rates, assuming that all other variables had remained the same, would have resulted in a \$31,000 (\$40,000 in 2009) decrease or increase, respectively, in the Corporation's net earnings for the 12-month period ended December 31, 2010, whereas *Other comprehensive income (loss)* would have increased or decreased by \$1,458,000 (\$1,459,000 in 2009), respectively, net of taxes.

CREDIT RISK

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

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

Note 11. Financial instruments (Cont'd)

Lastly, the Corporation is exposed to a credit risk with respect to its financing lease contracts for equipment used in the wood-residue segment. To reduce this risk, the Corporation regularly evaluates supplier performance to see if any measures are required. The Corporation also visits the woodchip production sites from time to time to check the condition of equipment. If a supplier's credit were to become questionable and an acceptable plan of action could not be arranged, the Corporation would have access to the underlying assets, which could be foreclosed by the Corporation or transferred to another supplier with a better credit rating. In such a case, the Corporation would remeasure the assets based on the lower of the book value or fair market value.

During the 12-month period ended December 31, 2010, the Corporation had two clients (four in 2009) accounting for over 10% of its revenues. These clients are well-established large corporations. Management considers that such a client concentration is characteristic within the power generation industry. See note 21 to the consolidated financial statements for more details.

As at December 31, 2010, approximately 1% of accounts receivable (2% in 2009) were over 90 days past due after being invoiced, while approximately 94% of accounts (94% in 2009) were current (under 30 days).

LIQUIDITY RISK

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

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

As at December 31, 2010, the Corporation also had a revolving credit facility with an authorized amount of \$40,000,000 and letters of credit totalling \$8,895,000 had been issued against this operating credit facility.

The contractual maturities of the Corporation's financial liabilities and derivative financial instruments as at December 31, 2010 and 2009 are summarized in the following tables:

December 31, 2010	Carrying amount	Undiscounted cash flows (principal and interest)					Total
		Under 1 year	From 1 to 2 years	From 2 to 5 years	Over 5 years		
NON-DERIVATIVE FINANCIAL							
LIABILITIES:							
Bank loans and advances	195	195	-	-	-	-	195
Accounts payable and accrued liabilities	58,815	58,815	-	-	-	-	58,815
Master agreement – wind power projects (France)	192,079	22,500	22,020	64,183	152,356	-	261,059
Term loan payable – Nibas wind farm	7,580	1,527	1,526	4,336	1,410	-	8,799
Capital leases (France)	7,079	2,813	1,797	3,373	-	-	7,983
Term loan payable – Ocean Falls power station	9,000	9,540	-	-	-	-	9,540
Term loan payable – Thames River wind farms	184,665	16,861	18,652	55,314	243,956	-	334,783
Canadian senior secured notes	38,328	2,321	2,321	38,530	-	-	43,172
U.S. senior secured notes	76,646	4,379	4,379	73,249	-	-	82,007
Term loan payable – solar power	3,205	152	299	982	2,556	-	3,989
Other debts	4,068	110	113	1,165	2,269	-	3,657
Convertible debentures	245,124	16,546	16,546	49,638	24,818	-	107,548
DERIVATIVE FINANCIAL							
INSTRUMENTS:							
Foreign exchange forward contracts	183	86	-	-	-	-	86
Financial swaps – commodities	2,632	196	2,630	-	-	-	2,826
Financial swaps – interest rates	8,202	4,734	3,432	3,703	(1,266)	-	10,603
	837,803	140,775	73,715	294,473	426,099	-	935,062

Note 11. Financial instruments (Cont'd)

December 31, 2009	Carrying amount	Undiscounted cash flows (principal and interest)					Total
		Under 1 year	From 1 to 2 years	From 2 to 5 years	Over 5 years		
NON-DERIVATIVE FINANCIAL							
LIABILITIES:							
Bank loans and advances	12,291	12,291	-	-	-	-	12,291
Accounts payable and accrued liabilities	28,913	28,913	-	-	-	-	28,913
Master agreement – wind power projects (France)	140,327	16,798	25,332	72,798	195,615	-	310,543
Term loan payable – Nibas wind farm	9,790	1,720	1,720	4,974	3,215	-	11,629
Term loan payable – Stratton power station	1,985	2,014	-	-	-	-	2,014
Capital leases (France)	10,585	3,174	3,176	5,323	500	-	12,173
Term loan payable – Ocean Falls power station	14,000	5,623	9,137	-	-	-	14,760
Term loan payable – Thames River wind farms	47,700	2,462	4,778	60,304	-	-	67,544
Term loan payable – Bel Air wind farm	8,986	910	918	2,804	6,841	-	11,473
Other debts	2,814	1,389	86	258	601	-	2,334
DERIVATIVE FINANCIAL							
INSTRUMENTS:							
Foreign exchange forward contracts	896	898	-	-	-	-	898
Financial swaps – interest rates	6,749	5,045	3,686	2,106	(3,744)	-	7,093
	285,036	81,237	48,833	148,567	203,028	-	481,665

Undiscounted cash flows of non-derivative financial liabilities are determined using expected principal repayments and interest payments. Undiscounted cash flows of derivatives are determined using the values of underlying indices at the balance sheet date. Since these indices are highly volatile, the undiscounted cash flows presented could vary significantly until realized.

Note 12.**SALE OF SUBSIDIARY**

On March 31, 2010, the Corporation sold a subsidiary that owned the Bel Air, France wind farm for net proceeds of \$878,000 (€639,000). This disposal is detailed as follows:

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

Note 13.**CHANGE IN NON-CONTROLLING INTERESTS**

On June 4, 2010, a European subsidiary of the Corporation acquired the remaining 49% of the shares of Boralex Cham Longe II S.A.S. (“Cham Longe II”) it did not own. The purchase price was set at €1,380,000 (\$1,751,000). The excess of the purchase price for the shares of Cham Longe II over their carrying amount was €1,360,000 (\$1,725,000) and was recognized under *Retained earnings*.

On July 6, 2010, the Corporation completed a €4,265,000 (\$5,662,000) capital subscription by its European partner. The percentage of European operations held by this partner increased by 3.71% to 20.01%. Under the initial agreement entered into in December 2009, the partner had the option of subscribing additional capital up to €33,000,000 for a maximum 30% interest, of which €19,265,000 has been contributed to date. The excess of proceeds from the partial sale of a subsidiary amounting to \$3,415,000 was recognized under *Retained earnings*.

Note 14.

CAPITAL STOCK

The Corporation's capital stock is composed of an unlimited number of Class A common shares. The transactions relating to capital stock for the years ended December 31 are presented in the following table:

	Note	2010		2009	
		Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount
Balance – beginning of year		37,741	222,694	37,741	222,694
Share issue	(a)	2	26	–	–
Share repurchase	(b)	–	–	–	–
Options exercised	(c)	22	133	–	–
Balance – end of year		37,765	222,853	37,741	222,694

- (a) Each debenture is convertible into Class A shares of Boralex at the option of the holder at any time under the terms and conditions described in Note 10. Some debenture holders availed themselves of this option and converted 256 debentures with a value of \$26,000 into 2,048 shares.
- (b) In 2010, Boralex announced plans to proceed with a normal course issuer bid. This twelve-month bid opening on September 1, 2010 and closing on August 31, 2011 authorized Boralex to buy back up to 250,000 Class A shares, or 0.66% of the 37,740,921 issued and outstanding Boralex Class A shares. All buybacks were carried out via the Toronto Stock Exchange and the repurchased shares were cancelled. Boralex had repurchased nil shares as at December 31, 2010.
- (c) The Corporation has a stock option plan for the benefit of directors, senior management and certain key employees under which 2,500,000 Class A shares have been reserved for issuance. The exercise price equals the market value on the day preceding the option grant date. The options granted prior to May 19, 2004 may be exercised over a period of four years at 25% per year beginning at the grant date, with no restrictions. Options granted after May 19, 2004 may be exercised at 25% per year beginning the year after they are granted. Furthermore, these options cannot be exercised unless the market value of the stock is higher than the book value on the option grant date. All the options have a ten-year term.

The stock options are as follows for the years ended December 31:

	2010		2009	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding – beginning of year	1,337,610	9.11	1,005,816	9.76
Granted	232,256	9.20	331,794	7.14
Exercised	(22,170)	6.00	–	–
Outstanding – end of year	1,547,696	9.17	1,337,610	9.11
Options exercisable – end of year	879,077	9.13	755,578	8.43

The following options were outstanding as at December 31, 2010:

Granted in	Options outstanding		Options exercisable		
	Number of options	Exercise price	Number of options	Exercise price	Year of expiry
2002	18,021	8.63	18,021	8.63	2012
2004	48,042	4.35	48,042	4.35	2014
2005	336,138	6.41	336,138	6.41	2015
2006	296,434	9.60	296,434	9.60	2016
2007	151,745	13.30	113,809	13.30	2017
2008	133,266	17.29	66,633	17.29	2018
2009	331,794	7.14	–	–	2019
2010	232,256	9.20	–	–	2020
	1,547,696	9.17	879,077	9.13	

Note 14. Capital stock (Cont'd)

Diluted per share amounts were calculated as follows:

	2010	2009
Net earnings available to common shareholders	23,100	24,439
Net diluted earnings available to common shareholders	26,557	24,439
Weighted average number of common shares	37,741,916	37,740,921
Dilutive effect of stock options	118,176	95,490
Adjusted weighted average number of common shares	37,860,092	37,836,411
Net earnings per common share (basic)	0.61	0.65
Net earnings per common share (diluted)	0.61	0.65
Convertible debentures excluded from the net diluted earnings per share calculation due to their anti-dilutive effect	5,181,823	-
Stock options excluded from the net diluted earnings per share calculation due to their anti-dilutive effect	813,701	599,466

Note 15.

CONTRIBUTED SURPLUS

The Corporation applies the fair value method of accounting for options granted to officers and employees. These amounts are recorded under administrative costs and contributed surplus.

The following table shows the change in the account:

	2010	2009
Balance – beginning of year	4,295	3,069
Fair value of options recorded during the year	1,232	1,226
Balance – end of year	5,527	4,295

The following assumptions were used to estimate the fair value, at the date of grant, of the options issued to officers and employees in the years ended December 31:

	2010	2009
Risk-free interest rate	3.83%	3.04%
Expected annual dividend	0.00%	0.00%
Expected useful life	7 years	7 years
Expected volatility	38%	46%
Weighted average fair value per option	\$4.12	\$3.48

Note 16.

ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

	2010					
	<i>Translation adjustments</i>	<i>Hedge Electricity price</i>	<i>Hedge Interest rate</i>	<i>Hedge Commodities</i>	<i>Hedge Foreign currency</i>	<i>Total</i>
Balance – beginning of year	(44,515)	5,019	(6,720)	–	(643)	(46,859)
Change in fair value	(16,264)	3,442	(7,919)	(1,133)	(5,418)	(27,292)
Reclassification to net earnings	3,604	(8,438)	3,415	(22)	(509)	(1,950)
Balance sheet reclassification	–	–	–	–	5,652	5,652
Taxes	(179)	1,998	1,371	327	133	3,650
Balance – end of year	(57,354)	2,021	(9,853)	(828)	(785)	(66,799)

	2009					
	<i>Translation adjustments</i>	<i>Hedge Electricity price</i>	<i>Hedge Interest rate</i>	<i>Hedge Commodities</i>	<i>Hedge Foreign currency</i>	<i>Total</i>
Balance – beginning of year	(11,609)	12,451	(5,510)	–	5,684	1,016
Change in fair value	(32,389)	14,344	(3,958)	–	(3,246)	(25,249)
Share of cumulative translation adjustments of the Fund	(2,174)	–	–	–	–	(2,174)
Reclassification to net earnings	1,076	(24,604)	2,122	–	(126)	(21,532)
Balance sheet reclassification	–	–	–	–	(3,884)	(3,884)
Taxes	581	2,828	626	–	929	4,964
Balance – end of year	(44,515)	5,019	(6,720)	–	(643)	(46,859)

Note 17.

CAPITAL MANAGEMENT

The Corporation's objectives when managing capital are as follows:

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

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

The Corporation monitors its capital on a quarterly and annual basis based on various financial ratios and non-financial performance indicators. It is also required to meet certain financial ratios under its long-term financial commitments. More specifically, the Corporation must meet ratios pertaining to debt coverage, debt service and interest coverage in relation to the measures specified in the respective credit agreements. As at December 31, 2010 and 2009, the Corporation was in compliance with its commitments with respect to the minimum ratios. The Corporation is not subject to any regulatory capital requirements.

Note 17. Capital management (Cont'd)

The Corporation's capital management objectives have remained unchanged from the previous year. The Corporation relies mainly on the ratio of net debt/total capitalization for capital management purposes. This ratio is a non-GAAP measure. For calculation purposes, net debt consists of long-term debt, including the current portion thereof, bank loans and advances, net of cash and cash equivalents and financing costs. Total capitalization is determined by adding net debt and book capitalization which includes the full amount of the convertible debentures. Cash and cash equivalents available are also a key factor in capital management, as the Corporation must retain sufficient flexibility to seize potential growth opportunities. To achieve this objective, the Corporation establishes long-term financial forecasts to determine future financing requirements in line with its strategic business development plans.

As at December 31, 2010, the Corporation's performance with respect to its capital management objectives was as follows:

- Net debt/total capitalization ratio of 40.8% (37.8% as at December 31, 2009); and
- A balance of cash and cash equivalents of \$108,574,000 (\$37,821,000 as at December 31, 2009).

Although it currently has a net debt/total capitalization ratio of 40.8%, the Corporation's long-term goal consists in keeping this ratio below approximately 40%. Analysis of these ratios must take into account changes in items such as *Accumulated other comprehensive income (loss)*. Once the Québec and Ontario wind power projects are deployed, the Corporation's ratio is expected to be close to that mark. Furthermore, the Corporation would tolerate a ratio of up to 50% were a significant project deemed worth it, but would strive to reduce said ratio within a 24-month period.

Note 18.

FINANCING COSTS

	Note	2010	2009
Interest on long-term debt, net of the impact of interest rate swaps	(a)	23,623	8,791
Interest on convertible debentures		4,938	–
Interest income		(555)	(1,075)
Amortization of financing costs		3,033	841
Amortization of monetization program expenses		–	2,052
Financing costs related to renewable energy tax credits		–	2,376
Other interest and banking fees		915	1,298
		31,954	14,283
Interest capitalized to power stations under development		(7,850)	(556)
		24,104	13,727

(a) Interest expense on capital lease contracts was \$453,000 in 2010 (\$738,000 in 2009).

Note 19.

INCOME TAXES

(a) The provision for income taxes is as follows:

	2010	2009
Income taxes		
Current income taxes	7,362	1,468
Future income taxes	(20,100)	3,002
	(12,738)	4,470
Earnings before income taxes	10,563	29,011
Renewable energy tax credits included in pre-tax earnings*	-	(266)
	10,563	28,745
Combined basic Canadian and Québec income tax rate (%)	30.00	30.90
Income tax expense at statutory rate	3,169	8,882
Increase (Decrease) in income taxes arising from the following:		
Reversal of future income taxes related to takeover of the Fund	(12,750)	-
Non-taxable/non-deductible items	(5,449)	(8,700)
Difference in foreign operations' statutory income tax rates	1,785	1,906
Difference resulting from the variation in income tax rates of specific items	1,474	1,012
Variation in valuation allowance	(915)	286
Reassessment of current and future income tax assets and liabilities	-	545
Other	(52)	539
	(12,738)	4,470

* Includes only renewable energy tax credits earned outside the monetization program.

(b) Future income taxes include the following items:

	2010	2009
Tax benefit arising from losses carried forward	51,535	50,154
Deferred costs	(3,428)	(4,877)
Provisions	1,582	621
Investment	(1,354)	(14,988)
Property, plant and equipment and other long-term assets	(96,443)	(65,806)
Financial instruments	691	(2,465)
Other	(20)	598
Future income taxes	(47,437)	(36,763)
Future income tax assets	512	422
Future income tax liabilities	(47,949)	(37,185)
	(47,437)	(36,763)

(c) The Corporation and its subsidiaries, particularly its French subsidiaries, have accumulated losses for income tax purposes amounting to approximately \$171,578,000, which may be carried forward to reduce taxable income in future years. The future tax benefit arising from these losses has been recognized as a future tax asset. These unused losses for income tax purposes may be claimed in future years, expiring as follows:

2013	2014	2015	2026	2027	2028	2030	UNLIMITED	TOTAL
489	71	537	4,085	5,222	2,563	10,000	148,611	171,578

(d) Renewable energy tax credits are allocated under the U.S. federal tax regime. With respect to Boralex power stations, this program was in force for a five-year period starting January 1, 2005 and came to an end on December 31, 2009. Tax credits are based on the power stations' actual production. While this credit is non-refundable, it can be carried forward for the next 20 taxation years.

Note 20.

CHANGE IN NON-CASH WORKING CAPITAL ITEMS

	2010	2009
Decrease (increase) in:		
Accounts receivable	(18,139)	5,084
Inventories	1,653	(1,476)
Prepaid expenses	791	(731)
Increase (decrease) in:		
Accounts payable and accrued liabilities	16,976	11,748
Income taxes	4,136	(1,252)
	5,417	13,373

Note 21.

SEGMENTED INFORMATION

The Corporation's power stations are grouped into four distinct segments: wind power, hydroelectric power, wood-residue thermal power and natural gas thermal power, and are engaged mainly in power generation. The classification of these segments is based on the different cost structures relating to each of the four types of power stations. The main accounting policies that apply to the individual segments are as described in note 2.

The Corporation analyzes the performance of its operating segments based on the earnings before interest, taxes, depreciation and amortization ("EBITDA"). EBITDA is not a measure of performance under Canadian GAAP; however, management uses this measure to assess the operating performance of its segments. Results for each segment are presented on the same basis as those of the Corporation.

The following table reconciles EBITDA with net earnings:

	2010	2009
Net earnings attributable to shareholders	23,100	24,439
Non-controlling interests	201	102
Income taxes (recovery)	(12,738)	4,470
Gain on dilution	-	(13,865)
Gain on sale of subsidiary	(774)	-
Net gain on deemed disposal of investment in the Fund	(15,130)	-
Financing costs	24,104	13,727
Net loss on financial instruments	247	923
Foreign exchange loss	4,298	1,473
Amortization	40,658	26,056
EBITDA	63,966	57,325

Revenue is allocated to the different countries based on the location of clients. In 2010, the Corporation had two clients (four clients in 2009) accounting for more than 10% of its revenue.

The tables below show the respective percentage of consolidated revenue from each client, as well as the segments in which they operate:

2010		2009	
<i>% Sales to one client</i>	<i>Segment</i>	<i>% Sales to one client</i>	<i>Segment</i>
18	Wind power and natural gas	21	Wind power and natural gas
20	Wood-residue	19	Wood-residue
		19	Wood-residue
		16	Wood-residue

Note 21. Segmented information (Cont'd)

INFORMATION BY OPERATING SEGMENT

	2010	2009	2010	2009
	<i>Power production (MWh)</i>		<i>Revenues from energy sales</i>	
	<i>(Unaudited)</i>	<i>(Unaudited)</i>		
Wind power stations	377,392	235,418	45,924	33,872
Hydroelectric power stations	328,290	145,303	26,221	10,329
Wood-residue thermal power stations	1,236,930	1,156,652	105,357	123,391
Natural gas thermal power stations	102,172	37,501	25,362	17,187
	2,044,784	1,574,874	202,864	184,779
	<i>EBITDA</i>		<i>Additions to property, plant and equipment</i>	
Wind power stations	36,263	26,789	175,217	76,761
Hydroelectric power stations	18,929	5,538	2,354	1,184
Wood-residue thermal power stations	23,491	39,995	4,990	4,851
Natural gas thermal power stations	6,291	2,155	(179)	28
Corporate and eliminations	(21,008)	(17,152)	4,611	1,708
	63,966	57,325	186,993	84,532
<i>As at December 31,</i>	2010	2009	2010	2009
	<i>Total assets</i>		<i>Property, plant and equipment</i>	
Wind power stations	538,604	363,644	420,675	288,225
Hydroelectric power stations	264,481	34,622	198,331	25,758
Wood-residue thermal power stations	213,842	138,014	159,629	84,660
Natural gas thermal power stations	40,561	13,600	20,834	7,150
Corporate	175,783	113,887	11,231	7,746
	1,233,271	663,767	810,700	413,539

INFORMATION BY GEOGRAPHIC SEGMENT

	2010	2009	2010	2009
	<i>Power production (MWh)</i>		<i>Revenues from energy sales</i>	
	<i>(Unaudited)</i>	<i>(Unaudited)</i>		
United States	1,393,618	1,274,837	116,726	130,780
France	295,141	267,291	47,548	50,556
Canada	356,025	32,746	38,590	3,443
	2,044,784	1,574,874	202,864	184,779
	<i>EBITDA</i>		<i>Additions to property, plant and equipment</i>	
United States	34,970	43,043	3,775	4,735
France	23,389	24,364	76,141	10,710
Canada	5,607	(10,082)	107,077	69,087
	63,966	57,325	186,993	84,532
<i>As at December 31,</i>	2010	2009	2010	2009
	<i>Total assets</i>		<i>Property, plant and equipment</i>	
United States	285,267	179,494	174,054	89,889
France	310,161	254,142	224,647	190,797
Canada	637,843	230,131	411,999	132,853
	1,233,271	663,767	810,700	413,539

Note 22.

RELATED PARTY TRANSACTIONS

In addition to the transactions with the Fund (note 5), the Corporation entered into the following transactions with related parties:

	2010	2009
Company (and its subsidiaries) having significant influence on the Corporation		
Revenues from energy sales	14,435	10,087
Operating costs	1,745	1,521
Entity controlled by a director and officer of the Corporation		
Other income	496	523
Interest income	29	32

As part of the acquisition of minority interests in Forces Motrices Saint-François in 2009, a \$300,000 (€200,000) interest was purchased from Bernard Lemaire, Executive Chairman of the Board of Boralex Inc. His interest in this company represented 8% of its capital stock. This transaction was carried out on the same basis as for the other arm's length shareholders. These transactions occurred in the normal course of business and were measured at the exchange amount, which is the amount of the consideration established and agreed to by the related parties.

The balance sheets as at December 31, 2010 and 2009 included the following balances with related parties:

	2010	2009
Company (and its subsidiaries) having significant influence on the Corporation		
Accounts receivable	3,381	232
Accounts payable and accrued liabilities	793	1,532
Entity controlled by a director and officer of the Corporation		
Accounts receivable	569	549

Note 23.

COMMITMENTS AND CONTINGENCIES

CONTRACTUAL OBLIGATIONS

	Total	2011	2012	2013	2014	Payments
						2015+
Purchase, supply and maintenance contracts (h,i,j)	67,542	23,960	17,432	3,659	4,252	18,239
Land lease agreements (k,l,m,n)	36,009	1,762	1,836	1,891	1,546	28,974
Other obligations (p)	750	750	-	-	-	-
Total	104,301	26,472	19,268	5,550	5,798	47,213

SALES CONTRACTS

(a) In the United States, under a long-term contract expiring in 2027, the Corporation is committed to selling 100% of its power output from its Middle Falls hydroelectric power station.

The long-term contracts for the Fort Fairfield wood-residue power station expired on February 28, 2011. A new two-year power sales contract was entered into for this power station as of March 1, 2011.

For the Hudson Falls and South Glens Falls hydroelectric power stations in U.S., the Corporation is committed to sell the electricity it generates under long-term contracts expiring from 2034 to 2035. These contracts provide for a contract payment rate for most of the electricity it generates. The price structure is as follows:

	Hudson Falls US\$/MWh	South Glens Falls US\$/MWh
2011 - 2017	86.14 – 80.58	88.69 – 86.65
2018 - 2024	48.27	86.65
2025	48.27	121.79 or market ⁽¹⁾
2026 and thereafter	56.28 or market ⁽¹⁾	121.79 or market ⁽¹⁾

(1) The client has the option of replacing the contract price with the market price until the contract terminates in 2025 for the South Glens Falls facility and in 2026 for the Hudson Falls facility.

Note 23. Commitment and contingencies (Cont'd)

- (b) For the Canadian power stations, the Corporation is committed to selling 100% of its power output (subject to certain minimum criteria) under long-term contracts maturing between 2012 and 2031. These contracts provide for annual indexation based on the Consumer Price Index ("CPI"). However, under long-term contracts, except for two power stations, the indexation rate should not be lower than 3% or higher than 6%.
- (c) For the French power stations, the Corporation is committed to selling 100% of its power output (subject to certain minimum criteria) under long-term contracts maturing between 2013 and 2025. The contracts provide for annual indexation to indices relating to hourly wage costs and industry activity levels.
- (d) The steam production from the Kingsey Falls power station (Québec) and the Blendecques power station (France) is sold to Cascades Inc. under long-term contracts expiring between 2012 and 2022.
- (e) The Corporation is committed under forward contracts to sell the RECs earned by its U.S. power stations that have qualified as a renewable energy producer in Connecticut. As at February 22, 2011, the balance of these commitments for fiscal 2011 and 2012 totalled about \$7,203,000 (US\$7,242,000) (\$24,863,000 and US\$23,756,000 in 2009).
- (f) On June 25, 2008, the Corporation signed two power sales contracts with Hydro-Québec for a total output of 272 MW for the Seigneurie de Beaupré wind farms project. The Corporation is cooperating with Gaz Métro on this project in which each partner owns a 50% interest. These contracts obtained approval of the Régie de l'énergie du Québec on October 17, 2008 and the environmental green light in July 2009.

PURCHASE, SUPPLY AND MAINTENANCE CONTRACTS

- (g) Under the supply agreements for its wood-residue power stations, the Corporation is committed to take delivery of certain minimum quantities. According to production forecasts, the Corporation will purchase quantities greater than the contract minimums.
- (h) With respect to the wind power projects in France and in Canada, the Corporation signed maintenance contracts, including several turnkey agreements, with suppliers such as Enercon, GE Wind Energy, Nordex and Qcells. The initial contract period is five to 15 years, with expenditures totalling \$31,956,000, of which about \$2,800,000 is payable in 2011.
- (i) With respect to the wind power projects in Ontario and in France, the Corporation has signed new equipment purchase agreements. The total cost of the net commitments is \$18,458,000 (€12,499,000 and \$1,542,000). Disbursements will take place mostly in 2011 (\$127,789,000 as at December 31, 2009). A portion of the amount payable in euros was partially covered by foreign exchange forward contracts, as discussed in note 11.
- (j) The Corporation is committed to buy approximately 90% of its natural gas needs from the Kingsey Falls power station under a supply agreement signed in 1995 and expiring in 2012. The initial natural gas price set in 1995 was \$1.75 per gigajoule; this price is indexed annually until November 2011 based on the CPI, subject to a minimum increase of 3% and a maximum increase of 6% per annum. During the last year of the supply agreement, the price of the delivered natural gas will be equal to the market price, plus a 3% premium. In July 2010, the Corporation entered into a supply agreement covering the Kingsey Falls power station's natural gas needs from November 1, 2011 through November 30, 2012. This agreement covers the commodity price of natural gas molecule for 13 months and its delivery for 12 months. Total disbursements under this agreement amount to approximately \$17,128,000, including the gas and its delivery to Kingsey Falls.

LAND LEASE AGREEMENTS

- (k) To operate the Middle Falls power station in the United States, the Corporation leases the land where the facilities are situated from Niagara Mohawk Power Corporation under a lease that runs until 2027. In 2010, the rent amounted to \$356,000 (US\$358,000) (\$364,000 and US\$348,000 in 2009) and will be indexed at 3% per year until 2013. From 2014 onwards, the rent will vary at the rate of 30% of the power station's gross revenue.
- (l) For the Thames River Project, the Corporation leases land on which wind generators are installed under 27 lease agreements with 20-year terms, renewable at the Corporation's option for the same lease terms. The total lease amount under all these agreements is estimated at \$623,000, that is, approximately \$14,000 per wind generator.
- (m) The land on which the wind generators are installed in France is leased under emphyteutic leases with lease terms ranging from 30 to 99 years. Payments under these leases are due annually and are indexed each year, based on the Consumption Price Index and the Construction Cost Index published by the National Institute of Statistics and Economic Studies (INSEE) and represent an annual commitment of \$500,000 (€375,000).

Note 23. Commitment and contingencies (Cont'd)

- (n) With respect to some of its hydroelectric power stations in Canada, the Corporation is party to various lease agreements for the sites of the facilities and the hydroelectric power rights necessary for the operation of the facilities. Under the terms of these agreements, expiring from 2013 to 2020, the Corporation pays rent based on the level of power generation.

The Corporation leases the land on which its U.S. hydroelectric facilities are located from NMPC. The lease agreements terminate at the end of the power sales contracts with NMPC. Rent expense is recognized for non-contingent lease payments on a straight-line basis based on the average rental payment over the lease terms.

Total minimum future lease payments for the South Glens Falls power station in New York State do not include contingent rental expense for years 26 through 40 of the lease agreement because of uncertainty surrounding the amounts. Rental expense in those years is based on a percentage of gross revenues. In addition, the leases provide NMPC a right of first refusal to acquire the hydroelectric facilities at fair market value at the end of the lease term. The leases also require the Corporation to convey title to the hydroelectric facilities if abandoned during the lease term and require NMPC to acquire, and the Corporation to sell, the hydroelectric facilities at the end of the lease term at the lower of fair market value or US\$10,000,000 (Hudson Falls power station) and US\$5,000,000 (South Glens Falls power station).

Total minimum future payments under these leases, excluding contingent rent for South Glens Falls, as of December 31, 2010 are as follows:

(in thousands of dollars)

2011	274
2012	289
2013	305
2014	321
2015	338
Thereafter	9,837

OTHER

- (o) On July 27, 2009, the “Conseil d’État”, the final level of appeal in the French legal system, upheld the decision cancelling the building permit for the expansion at the Avignonet-Lauragais facility which comprises two turbines. This decision does not jeopardize the power sales contract with EDF nor operation of the expansion. Furthermore, this situation does not place Boralex in default under any credit agreement. An application for an amended building permit is currently being reviewed by the competent authority.
- (p) When the Ocean Falls power station was acquired in April 2009, Boralex undertook to invest approximately \$3,000,000 for the completion of maintenance work on the dam and the modernization of certain facilities. An amount of \$2,250,000 had been disbursed as at December 31, 2010 (\$900,000 as at December 31, 2009).
- (q) Hydroelectric power stations in Québec are subject to the *Dam Safety Act* and its regulation, which will gradually affect some of the Corporation’s hydroelectric facilities. The St-Lambert power station is in compliance with the Act as at December 31, 2010 but is not affected as it is located on the St. Lawrence Seaway, which is not subject to this law. Depending on the region where the power stations are located, dams will have to comply with some criteria defined in this Act. Application of this Act should be phased in. Once the Corporation’s recommendations are accepted by the “Ministère du Développement durable, de l’Environnement et des Parcs”, an action plan will be prepared reflecting the relative urgency of the work required.

A preliminary report was released on the work required at the Buckingham power station to bring it into compliance with the Act, particularly to improve the dam’s water discharge capacity, preserve the power station’s integrity and the potential impacts on the local population in the event of a major flood. This study indicates that investments of approximately \$14,000,000 will be necessary. The Corporation expects that investments totalling \$500,000 will be required for the facilities at other power stations to comply with the Act.

- (r) Following the motion filed on August 30, 2010 and the subsequent ruling of October 28, 2010, O’Leary Funds Management L.P. and al. filed an amended motion with the Superior Court of Québec on January 11, 2011. This motion challenges the legality of the business combination between Boralex and the Fund that took place on November 1, 2010 and claims damages and interest in the amount of nearly \$14,000,000. The Corporation considers that this procedure has no basis in fact or in law and will defend itself vigorously. Therefore, the Corporation has not recorded any provision in respect of this litigation.

Board of directors

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Boralex Inc.
Executive Vice Chairman
of the Board
Cascades Inc.

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Samson-Doel Group Ltd.
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PIERRE SECCARECCIA ^{(1) (4)}

Corporate Director

GILLES SHOONER ⁽²⁾

Environmental Consultant

(1) Member of the Audit Committee

(2) Member of the Environmental,
Health and Safety Committee

(3) Member of the Corporate Governance
Committee

(4) Member of the Human Resources
Committee

Management Team

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Executive Chairman of the Board

DENIS AUBUT

General Manager, Operations

NATHAN HEBEL

Director, Energy Trading

PATRICK LEMAIRE

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GUY D'AOUST

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CLAUDE AUDET

Vice-president and Chief
Operating Officer, Biomass

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Additional copies of the following documents and other information can also be obtained at the above address or on Boralex's and SEDAR's websites:

- Annual Report
- Quarterly Reports
- Annual Information Form
- Information Circular

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Montréal, Québec H3A 3S8 Canada
Telephone: 1-800-564-6253 / 514 982-7888
Fax: 1-888-453-0330 / 514 982-7635
service@computershare.com

SHAREHOLDER INFORMATION

The annual Meeting of Shareholders will be held on Wednesday, May 11, 2011, at 11:00 a.m., at the:

MONT-ROYAL CENTER

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To obtain an English copy of the Annual Report, please contact the Communications Department.



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Profile

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

With nearly 350 employees, Boralex is known for its diversified expertise and in-depth experience in three power generation segments **wind, hydroelectric and thermal** and will add a fourth segment to its energy portfolio with the upcoming commissioning of its first **solar** power station.

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

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

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