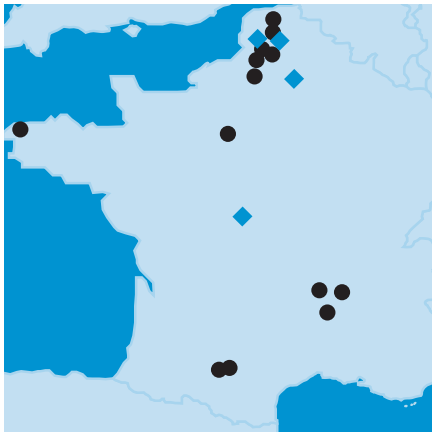
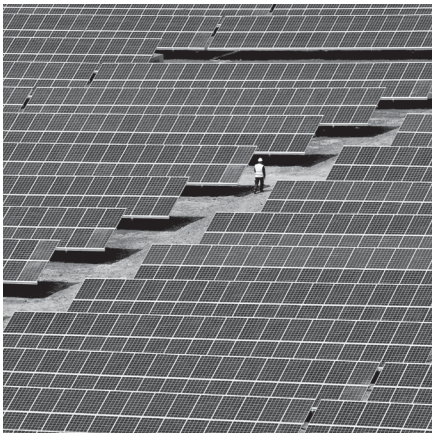
BORALEX

energy creator

2012 ANNUAL REPORT





PROFILE

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

boralex.com

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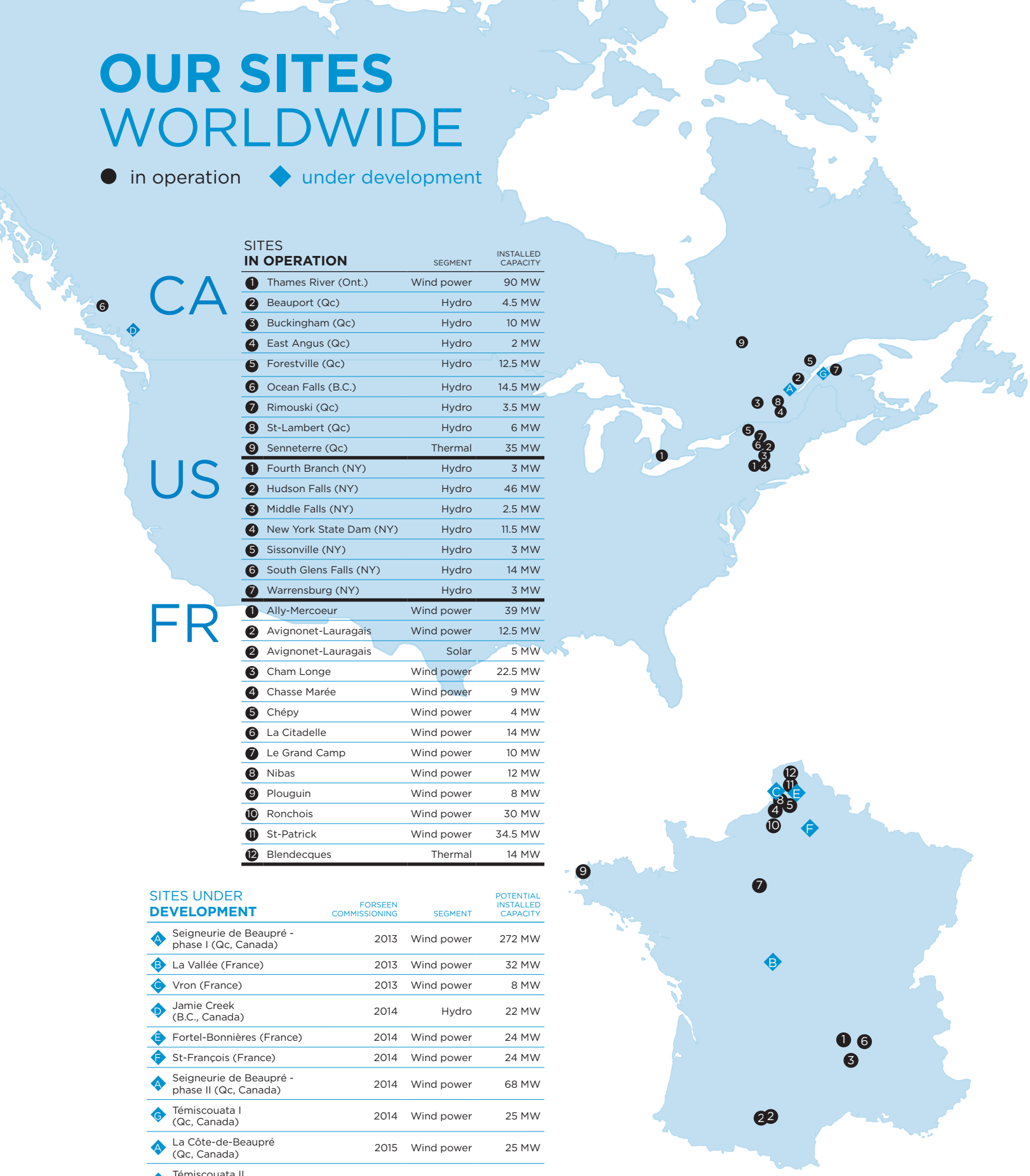
VISION

Boralex's goal is to be a **Canadian leader** in the development and operation of **renewable energy** in North America and Europe. We plan to grow by generating **electricity** from natural or recycled sources in a manner that **respects both communities and the environment**. Our strength lies in the expertise, skills and innovative spirit of our **employees**. Our commitment is to manage our facilities ethically, to be a **good corporate citizen** and to provide a sustained financial performance to our shareholders and partners.

OUR SITES WORLDWIDE

● in operation ◆ under development



SITES **IN OPERATION**		SEGMENT	INSTALLED CAPACITY
CA			
1	Thames River (Ont.)	Wind power	90 MW
2	Beauport (Qc)	Hydro	4.5 MW
3	Buckingham (Qc)	Hydro	10 MW
4	East Angus (Qc)	Hydro	2 MW
5	Forestville (Qc)	Hydro	12.5 MW
6	Ocean Falls (B.C.)	Hydro	14.5 MW
7	Rimouski (Qc)	Hydro	3.5 MW
8	St-Lambert (Qc)	Hydro	6 MW
9	Senneterre (Qc)	Thermal	35 MW
US			
1	Fourth Branch (NY)	Hydro	3 MW
2	Hudson Falls (NY)	Hydro	46 MW
3	Middle Falls (NY)	Hydro	2.5 MW
4	New York State Dam (NY)	Hydro	11.5 MW
5	Sissonville (NY)	Hydro	3 MW
6	South Glens Falls (NY)	Hydro	14 MW
7	Warrensburg (NY)	Hydro	3 MW
FR			
1	Ally-Mercoeur	Wind power	39 MW
2	Avignonet-Lauragais	Wind power	12.5 MW
2	Avignonet-Lauragais	Solar	5 MW
3	Cham Longe	Wind power	22.5 MW
4	Chasse Marée	Wind power	9 MW
5	Chépy	Wind power	4 MW
6	La Citadelle	Wind power	14 MW
7	Le Grand Camp	Wind power	10 MW
8	Nibas	Wind power	12 MW
9	Plouguin	Wind power	8 MW
10	Ronchois	Wind power	30 MW
11	St-Patrick	Wind power	34.5 MW
12	Blendecques	Thermal	14 MW

SITES UNDER **DEVELOPMENT**		FORSEEN COMMISSIONING	SEGMENT	POTENTIAL INSTALLED CAPACITY
A	Seigneurie de Beaupré - phase I (Qc, Canada)	2013	Wind power	272 MW
B	La Vallée (France)	2013	Wind power	32 MW
C	Vron (France)	2013	Wind power	8 MW
D	Jamie Creek (B.C., Canada)	2014	Hydro	22 MW
E	Fortel-Bonnières (France)	2014	Wind power	24 MW
F	St-François (France)	2014	Wind power	24 MW
A	Seigneurie de Beaupré - phase II (Qc, Canada)	2014	Wind power	68 MW
G	Témiscouata I (Qc, Canada)	2014	Wind power	25 MW
A	La Côte-de-Beaupré (Qc, Canada)	2015	Wind power	25 MW
G	Témiscouata II (Qc, Canada)	2015	Wind power	50 MW

FINANCIAL HIGHLIGHTS

(in thousands of dollars, unless otherwise specified)	2012	2011	2010	2009[1] [3]
OPERATIONS				
Revenues from energy sales	181,440	194,025	102,812	64,097
EBITDA [2]	98,357	100,756	39,414	29,500
Net earnings attributable to shareholders of Boralex	(5,115)	2,883	35,072	24,439
Cash flows from operations [2] [4]	48,615	54,240	14,761	47,413
INVESTMENTS				
Additions to property, plant and equipment	10,320	34,419	183,948	80,059
Development projects	3,422	1,620	2,046	10,337
Business acquisitions	63,881	700	40,953	53,758
FINANCIAL POSITION				
Cash and cash equivalents [5]	112,201	162,991	108,574	37,821
Property, plant and equipement	689,024	643,047	738,884	413,539
Total assets	1,229,871	1,176,855	1,245,507	663,767
Debt [6]	522,186	506,184	513,774	242,680
Convertible debentures	226,299	223,347	220,824	–
Total equity	342,369	328,878	367,689	347,061
CLASS A SHARE DATA				
Net earnings per share attributable to shareholders of Boralex (basic – in dollars)	(0.14)	0.08	0.93	0.65
Shareholders' equity per share outstanding at the end of the period (in dollars)	9.07	8.72	9.74	9.20
Weighted average number of shares outstanding (in thousands)	37,729	37,753	37,742	37,741
Shares outstanding at the end of the period (in thousands)	37,735	37,726	37,765	37,741
Debentures outstanding at the end of the period (in thousands)	2,447	2,449	2,451	-
RATIO				
Net debt ratio [2]	42.1%	39.8%	40.9%	37.8%

(1) Certain data have been reclassified to reflect the presentation adopted in 2010.
(2) Earnings before interest, taxes, depreciation and amortization (EBITDA), cash flows from operations and net debt ratio are not measures of performance under IFRS as defined under *Non-IFRS Measures*.
(3) In accordance with Canadian GAAP (Part V).
(4) For 2009, as previously published.
(5) Including restricted cash.
(6) Including non-current debt, current portion of debt and bank loans and overdraft.

STOCK DATA *as at December 31, 2012*

Exchange: Toronto (TSX)

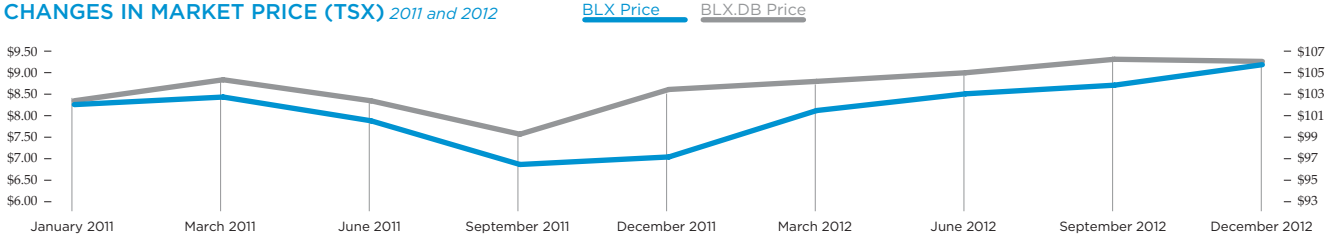
Conversion ratio of debentures into shares: 8 : 1

Securities and symbols:
Class A shares (BLX)

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

Principal Shareholder:
Cascades Inc. (35% of class A shares)

CHANGES IN MARKET PRICE (TSX) *2011 and 2012*

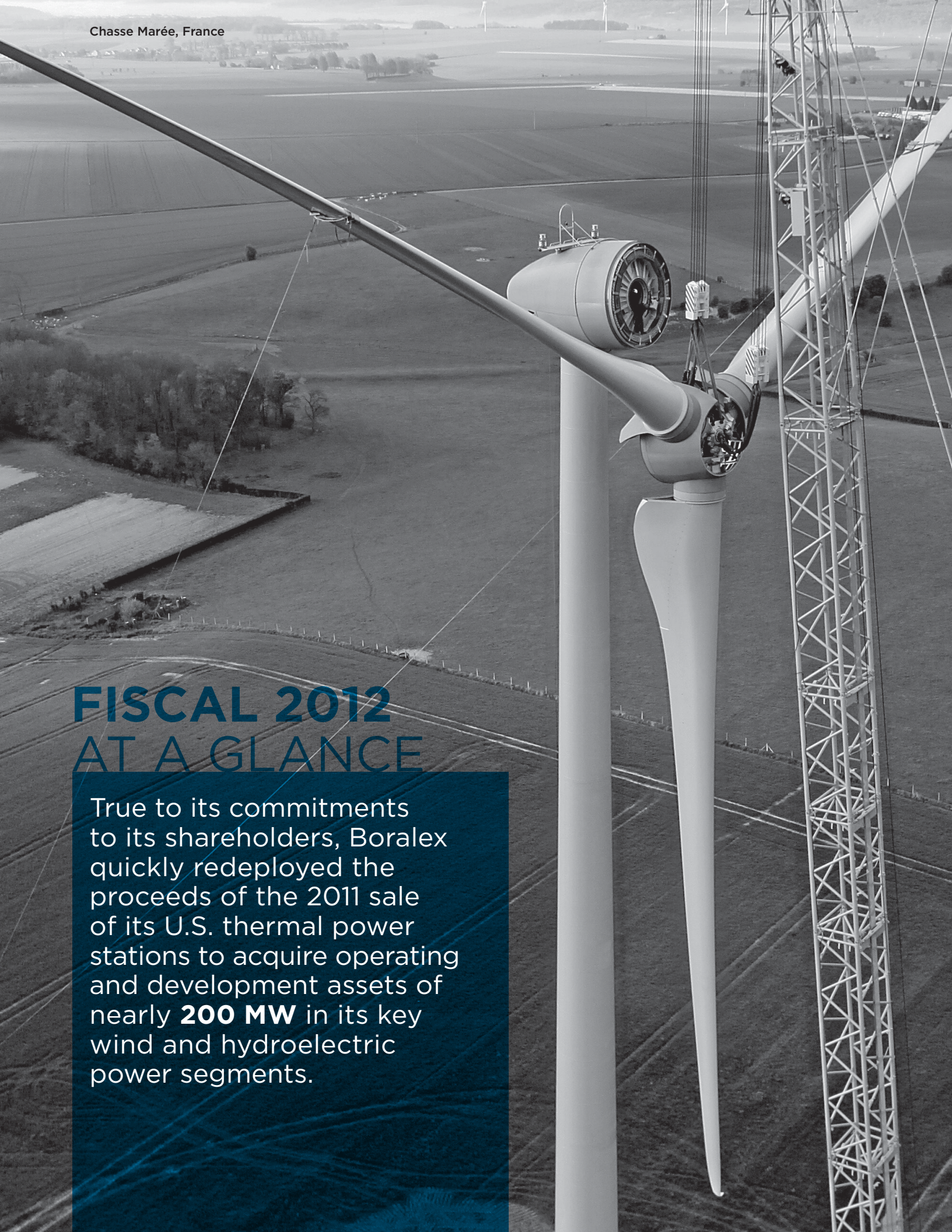


TRADING ON CLASS A SHARES

Year ended	Shares issued and outstanding	High	Low	Closing price
December 31, 2012	37,734,895	$10.01	$7.05	$9.17
December 31, 2011	37,726,427	$9.45	$5.85	$7.13

TRADING ON CONVERTIBLE DEBENTURES

Year ended	Convertible debentures issued and outstanding	High	Low	Closing price
December 31, 2012	2,447,487	$108.00	$102.01	$106.00
December 31, 2011	2,448,658	$107.00	$95.00	$103.50

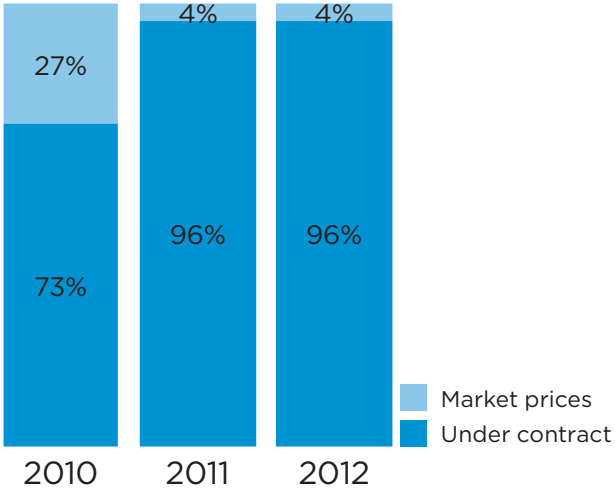

Chasse Marée, France

FISCAL 2012 AT A GLANCE

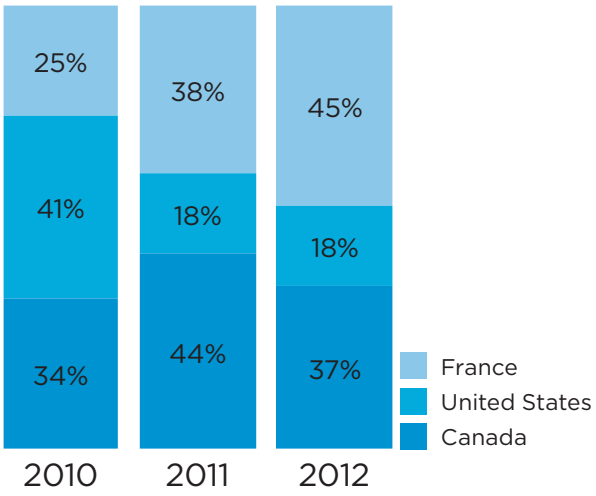
True to its commitments to its shareholders, Boralex quickly redeployed the proceeds of the 2011 sale of its U.S. thermal power stations to acquire operating and development assets of nearly **200 MW** in its key wind and hydroelectric power segments.

2012 HIGHLIGHTS

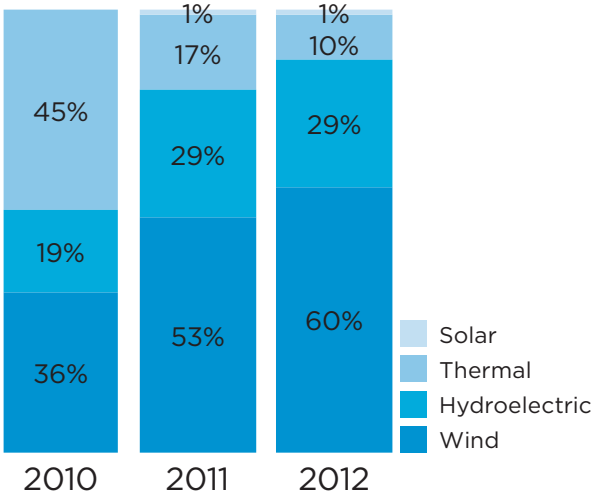
CONTRACTUAL BREAKDOWN



GEOGRAPHIC BREAKDOWN



SEGMENT BREAKDOWN



Approximately **$98 million** invested in the acquisition and development of renewable energy production assets

Nearly **200 MW** acquired in 2012 including a 35 MW operating wind power station in France, wind power projects totalling 138 MW in France and Québec, Canada and a 22 MW hydroelectric project in British Columbia, Canada

Targeted, effective collaboration with our partners on development projects totalling **550 MW**, including one of the largest wind farms currently under development in Canada – phase I of the Seigneurie de Beaupré in Québec with an installed capacity of 272 MW

Revenues of **$181.4 million** and EBITDA of **$98.4 million**

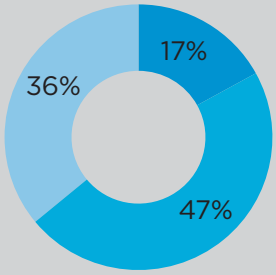
EBITDA margin of **54.2%**, up over 2011, driven mainly by the wind power segment's increased weight in the Corporation's energy portfolio

Cash flows from operations of **$47.4 million**

Total cash position of **$112.2 million** as at December 31, 2012

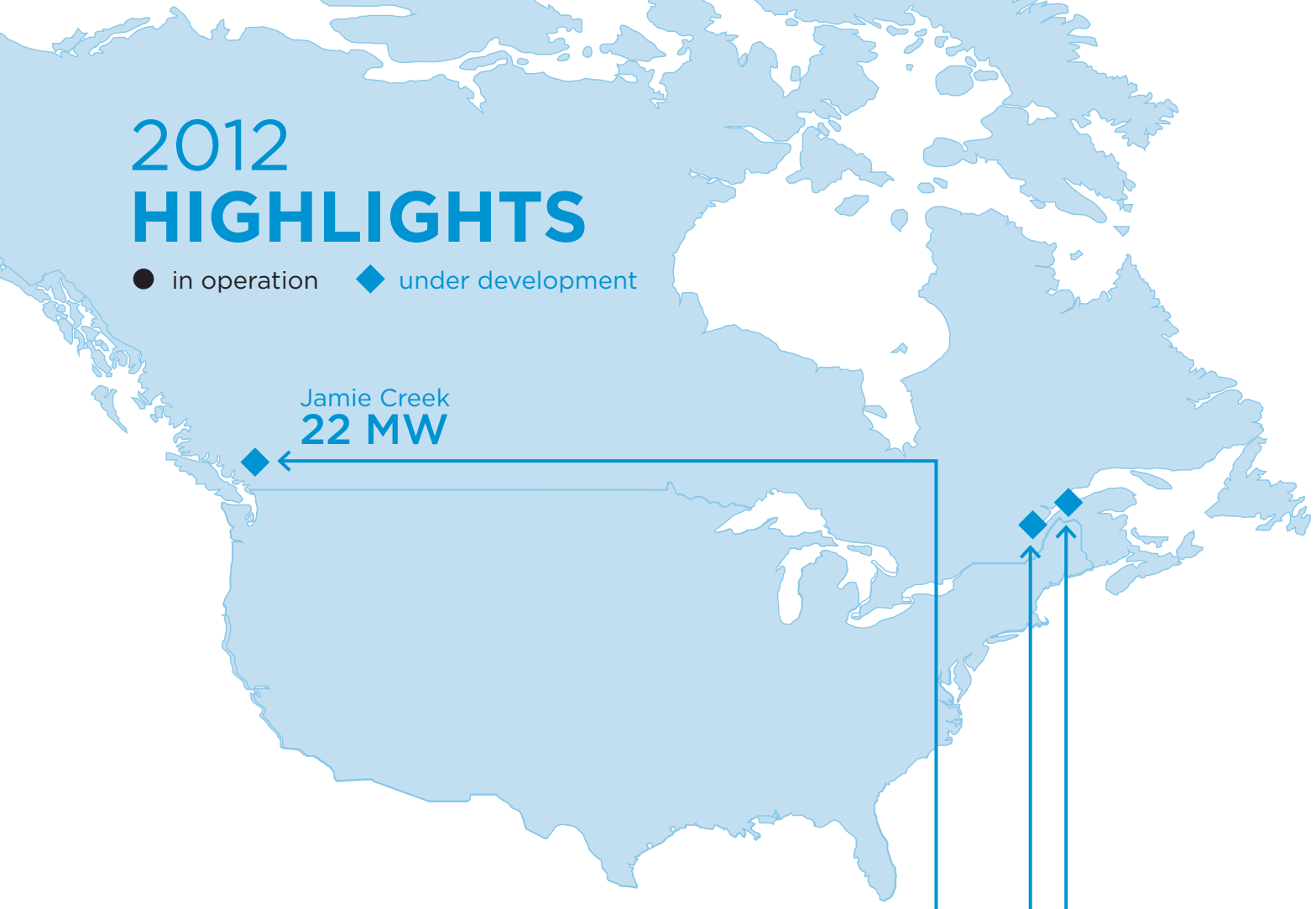
Remaining terms of power purchase agreements
(in terms of MWh)

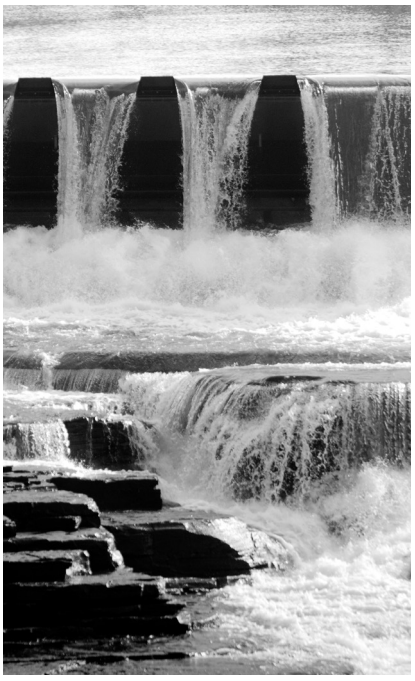
- Remaining term < 10 years
- Remaining term between 10 & 20 years
- Remaining term > 20 years



2012 HIGHLIGHTS

● in operation ◆ under development





South Glens Falls, New York, United States

HYDRO

Production, revenues and EBITDA down 18.6%, 15.2% and 11.7%, respectively, owing to very weak water flow conditions in the Northeastern United States during the second and third quarters and weaker compared with the fourth quarter of 2011

Stable solid EBITDA margin of 77.0% and ranking as a significant source of EBITDA for Boralex ($36.8 million in 2012)

Acquisition of the **Jamie Creek** (22 MW) project in British Columbia, Canada slated for commissioning in early 2014

Nibas, France

WIND

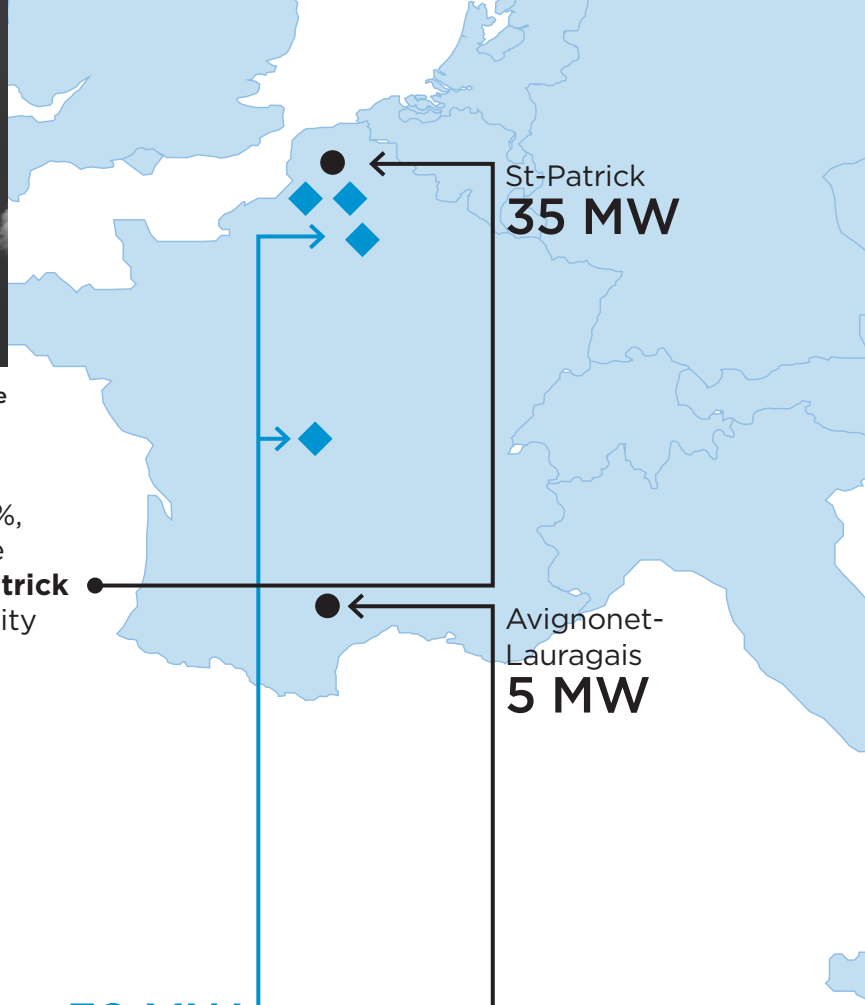
Production, revenues and EBITDA up 14.0%, 11.0% and 13.7%, respectively, thanks to the June 28, 2012 acquisition of the new **St-Patrick** site in France and an increase in productivity at existing sites

EBITDA margin of 81.7%

Some $78.2 million invested in business acquisitions and new property, plant and equipment and development costs

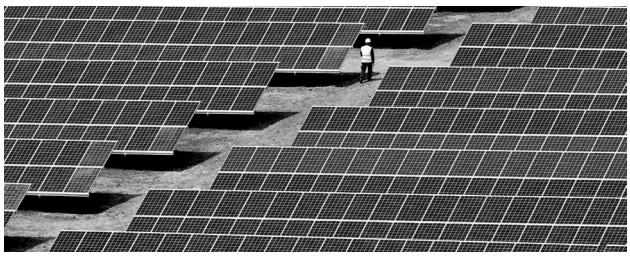
In addition to the operating St-Patrick power station (35 MW), acquisition of 4 projects in France – **La Vallée** (32 MW), **Fortel-Bonnières** (24 MW), **St-François** (24 MW) and **Vron** (8 MW) – and the **Témiscouata II** project in Québec, Canada (50 MW), which will be commissioned starting in the fourth quarter of 2013 and early in 2014

Progress on phase I of the **Seigneurie de Beaupré wind farms** (272 MW) on target with schedule and budget, with commissioning scheduled for December 2013



SOLAR

At the end of its first full year of operation, this **first solar power station** fully met management's expectations with EBITDA of $2.3 million on revenues of $2.7 million, representing an EBITDA margin of 86.2%



Avignonet-Lauragais, France

Seigneurie de Beaupré - phase I, Québec, Canada

OBJECTIVE 2016

With a more robust pipeline of projects driven by recent acquisitions, total available cash of **$112 MILLION** as at December 31, 2012 and solid cash flows from operations, Boralex aims to **DOUBLE ITS SIZE** and EBITDA by the end of 2016, with no new capital subscriptions.

GROWTH PATH

476 MW IN OPERATION +

2013			2014				2015	
La Vallée	**Seigneurie de Beaupré phase I**	**Vron**	**Fortel-Bonnières & St-François**	**Jamie Creek**	**Seigneurie de Beaupré phase II**	**Témiscouata I**	**La Côte-de-Beaupré**	**Témiscouata II**
Wind	Wind	Wind	Wind	Hydroelectric	Wind	Wind	Wind	Wind
France	Qc, Canada	France	France	C.-B., Canada	Qc, Canada	Qc, Canada	Qc, Canada	Qc, Canada
32 MW	272 MW	8 MW	48 MW	22 MW	68 MW	25 MW	25 MW	50 MW
75% net to Boralex	50% net to Boralex	75% net to Boralex	75% net to Boralex	100% net to Boralex	50% net to Boralex	51% net to Boralex	51% net to Boralex	100% net to Boralex

\+ PIPELINE **±100 MW**
Europe or Canada (wind equivalent) 100% net to Boralex

= **±930 MW** PRO FORMA
(net to Boralex)

MESSAGE TO **SHAREHOLDERS**

Expansion and strategic investments were the highlights for Boralex in 2012. In line with our positioning objectives and commitment to the company's shareholders, we redeployed cash from the sale of the U.S. thermal power stations in 2011 to acquire wind and hydroelectric power facilities. Within only months, we added almost 200 MW to our portfolio of assets in operation and under development. Building on this momentum, Boralex aims to double its size and EBITDA by the end of 2016.

CLOSE TO $100 MILLION INVESTED IN 2012

to develop our operating base and pipeline of projects

Taking advantage of high levels of available cash, Boralex made a series of acquisitions throughout fiscal 2012, which integrated an additional 195 MW into its energy portfolio, including a 35 MW wind power station already in operation and development projects totalling 160 MW, a portion of which is slated for commissioning in 2013. Consistent with the key principle that underlies our development strategy, all of this new capacity has long-term power sales contracts.

During the first quarter, we obtained a 20-year power supply contract with Hydro-Québec for a 50 MW wind power project in the Témiscouata region of Québec, Canada. This new power station, which is adjacent to another 25 MW wind power project currently being developed by Boralex and the Témiscouata RCM, is planned for commercial commissioning in late 2015. In the second quarter, we acquired the St-Patrick wind farm in the north of France with 35 MW of installed capacity already in operation. Its contribution to Boralex's results for the last six months of 2012 was significant and in line with expectations. Concurrently, Boralex acquired three wind power projects totalling 56 MW, also located in the north of France, of which 8 MW will be commissioned at the end of 2013 and 48 MW early in 2014. At the same time, we obtained a five-year option from the vendor to acquire an additional 130 MW in wind power projects currently under development in France. Last, two further acquisitions were completed in the fourth quarter of fiscal 2012, namely the 32 MW La Vallée wind power project in the department of Indre, France, scheduled for commissioning at the end of 2013, and the 22 MW Jamie Creek hydroelectric project in British Columbia, Canada, to be commissioned at the beginning of 2014.

In addition to feeding our pipeline of projects for the next three years, these acquisitions strengthen Boralex's position in a number of ways. They ensure that almost all of our installed capacity in operation or under development is now under long-term contracts. They increase the relative weight in our energy portfolio of the wind and hydroelectric segments – our two most promising and most profitable lines. And, they enhance the geographic diversification of our operations in both Canada and France.

Furthermore, we are pleased to confirm that the development projects Boralex is currently working on, alone or with partners, are moving ahead according to plan and are on target with our schedule and budget. We are particularly proud of the progress on the phase I work at the Seigneurie de Beaupré – the largest wind farm currently under construction in Canada – that will be commissioned as planned in December 2013. Our success in bringing this 272 MW megaproject to term clearly establishes Boralex as a leader in the development, financing, construction and, within a few months from now, operation of large-scale energy assets.

FINANCIAL RESULTS

that reflect Boralex's strategic choices

Boralex's excellent performance in the wind segment amply offset scaled back operations in the thermal power segment arising mainly from the scheduled production shutdowns at the Senneterre power station and the discontinuation of energy production operations at the Kingsey Falls power station due to the expiration of its sales contract. In fact, had it not been for the very weak water flow conditions in the Northeastern United States during fiscal 2012, Boralex would have posted better EBITDA for the year versus 2011. The growing relative weight of our wind power segment, continued high profitability for the hydroelectric segment despite the vagaries of weather and the positive contribution of our first solar power station, all drove higher consolidated EBITDA margins for Boralex in 2012 and generated cash flows from operations of $47.4 million. Consequently, despite considerable investments in 2012, we ended the fiscal year with total cash in excess of $112 million, putting Boralex in an effective position to successfully carry out all of its development projects.

Boralex's recent financial evolution highlights the positive spinoffs from the development strategy implemented a few years ago to focus operations and development on renewable energy production assets that generate stable cash flows and offer superior return potential. Additionally in 2012, we gained particular advantage from the geographic diversification of our wind and hydroelectric power segments, whose power stations experienced widely varying weather conditions at their sites in France, Canada and the United States.

FISCAL 2013:

A year of transition to new levels of growth and profitability

The fourth quarter of fiscal 2013 will see the commissioning of new energy assets totalling 312 MW in which Boralex has a net share of 176 MW. Taken together with the contribution of the St-Patrick wind farm for the full year compared with six months in 2012, this expansion should largely offset the shortfall resulting from the shutdown of the Kingsey Falls thermal power station.

We look forward keenly to 2014 when Boralex will transition to new levels of profitability driven by the full contribution of assets commissioned in 2013 – phase I of the Seigneurie de Beaupré wind farms, in particular – and the commissioning of other projects currently under development in Québec, Canada and France in which Boralex's net share will total almost 117 MW. In 2015, the addition of a further 63 MW of net installed capacity will bring Boralex's wholly owned assets in operation to 831 MW by the end of 2015. Moreover, this growth does not include acquisitions of any operating assets and development projects that may very likely be completed in the interim. In fact, we currently have our sights on projects in Canada and France totalling more than 100 MW.

Assuming business conditions remain conducive to further strategic growth through acquisitions – especially in light of the financing options available and the quality and attractive price of wind turbines on offer – we will vigorously pursue opportunities to grow, focusing primarily on advanced stage development projects or assets already in operation. With a view to broadening our operating base and presuming that legislation remains sympathetic to developing the wind power segment, we will first and foremost use our solid footing in certain areas that are especially favourable for developing wind power, including France and various regions of Québec, Canada such as the Seigneurie de Beaupré land and the Témiscouata region.

OBJECTIVE 2016:

Double EBITDA without new capital subscriptions

With the commissioning in 2013, 2014, 2015 and 2016 of our different projects underway and considering the additional acquisitions that our financial position allows us to contemplate in the short term, Boralex's aim – all things being equal – is to double its capacity and its EBITDA by the end of 2016. Furthermore, we are convinced we can meet this objective without new capital subscriptions, or in other words, without diluting the interests of current shareholders.

We consider Boralex's short- and medium-term outlook to be highly favourable. We also have great confidence in the Corporation's longer term prospects.

While it is true that the worldwide economic uncertainty of the last five years and the weakness in the price of natural gas in North America may have, to some extent, slowed the development of renewable energies and raised any number of debates, the fact remains that society's growing use of renewable energy sources is an unavoidable, universal and increasingly urgent necessity. In the face of this, Boralex has in hand key assets to generate increasing and sustainable value for its shareholders: its position as one of the very few organizations fully committed to developing and operating green energy production assets, its growing and diversified operating base, its multidisciplinary expertise, its robust finances and its solid global reputation.

For these reasons, with Boralex's shareholders in mind, we are renewing our commitment to drive the economic value of the Corporation: first, through strong, orderly and profitable growth of assets, revenues and profit margins, and then, as the Board of Directors deems appropriate given the Corporation's investment projects and available funds, by establishing a dividend policy.

Above all, Boralex will remain a solid and innovative organization, driven by clear objectives, committed to meeting its targeted returns and guided by a long term vision. We will achieve this with the consummate skill, unswerving determination and open-mindedness of our employees, to whom we wish to extend our congratulations and sincerest thanks. We would also like to thank the members of Boralex's Board of Directors for their knowledgeable contribution, our shareholders for their trust and all of our strategic, operating and financial partners.

(s) Patrick Lemaire

Patrick Lemaire

President and Chief Executive Officer

(s) Robert F. Hall

Robert F. Hall

Chair of the Board of Directors

March 2013

Management's Discussion and Analysis

For the year ended December 31, 2012

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Description of Business

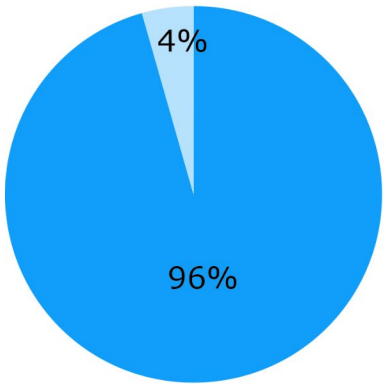
Boralex Inc. (“Boralex” or the “Corporation”) is a power producer whose core business is dedicated to the development and the operation of renewable energy power stations. Currently, the Corporation operates an asset base with a total installed capacity of nearly 500 megawatts (“MW”) in Canada, the Northeastern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

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

- Boralex currently operates a **286 MW wind power** portfolio in Canada and France. In recent years, Boralex has become one of the most experienced wind power producers in France, where it currently generates 196 MW of power with an additional 88 MW in total under development projects. Boralex has also entered the wind power market in Canada with 90 MW of installed capacity in Ontario. In Québec, the Corporation is working independently or with partners on the development of wind farms with a total installed capacity of 440 MW, slated for commissioning by the end of 2015. These projects include the Seigneurie de Beaupré wind farms, which is currently Canada's largest wind farm. Phase I of this project with a total installed capacity of 272 MW will be commissioned at the end of 2013.
- Boralex has nearly two decades of expertise in **hydroelectric power** generation. The Corporation owns and operates **136** MW of hydro assets in the United States, Québec and British Columbia, and will commission a new 22 MW power station in British Columbia in early 2014.
- Boralex owns two **thermal power** stations with a total installed capacity of **49 MW**, comprising a 14 MW natural gas cogeneration power station in France and a 35 MW wood-residue power station in Québec.
- In 2011, Boralex diversified its energy portfolio with the addition of a **solar power** facility with an installed capacity of **5 MW** located in France.

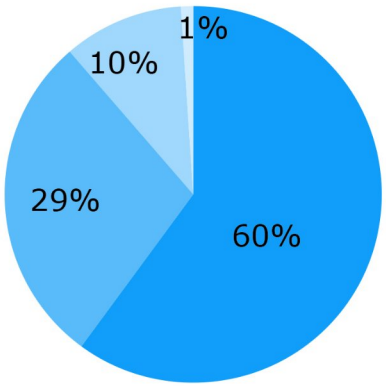
The following charts provide information about the makeup of the Corporation's energy portfolio as at December 31, 2012.

Contractual breakdown



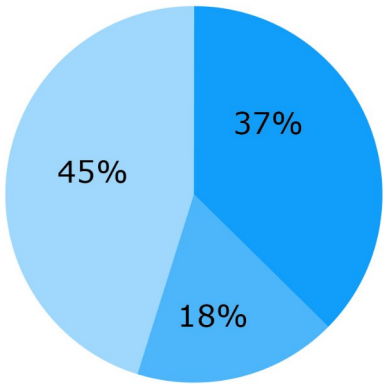
Under contract	455 MW
Market prices	21 MW

Segment breakdown



Wind	286 MW
Hydroelectric	136 MW
Thermal	49 MW
Solar	5 MW

Geographic breakdown



Canada	178 MW
United States	83 MW
France	215 MW

TOTAL: 476 MW

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

Introductory Comments to Management's Discussion and Analysis

General

This Management's Discussion and Analysis ("MD&A") reviews the operating results for the three-month period and fiscal year ended December 31, 2012, compared with the corresponding periods of 2011, and the cash flows for the year ended December 31, 2012 compared with the year ended December 31, 2011, as well as the Corporation's financial position as at December 31, 2012 compared with December 31, 2011. 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, 2012.

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

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

The information contained in this MD&A reflects all material events up to March 8, 2013, the date on which the Board of Directors approved the audited consolidated financial statements and this annual MD&A.

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

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

All financial information presented in this MD&A, as well as tabular information, is in Canadian dollars.

Notice Concerning Forward-Looking Statements

The purpose of this MD&A is to help the reader understand the nature and importance of changes and trends as well as the risks and uncertainties that may affect Boralex's operating results and financial position. Accordingly, some of the statements contained in this analysis, including those regarding future results and performance, are forward-looking statements based on current expectations, within the meaning of securities legislation. These statements are characterized by the use of positive or negative verbs, such as plan, anticipate, evaluate, estimate, believe and other related expressions. They are based on Boralex management's expectations, estimates and assumptions as at March 8, 2013.

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

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

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

Growth Strategy and Key Developments in Recent Fiscal Years

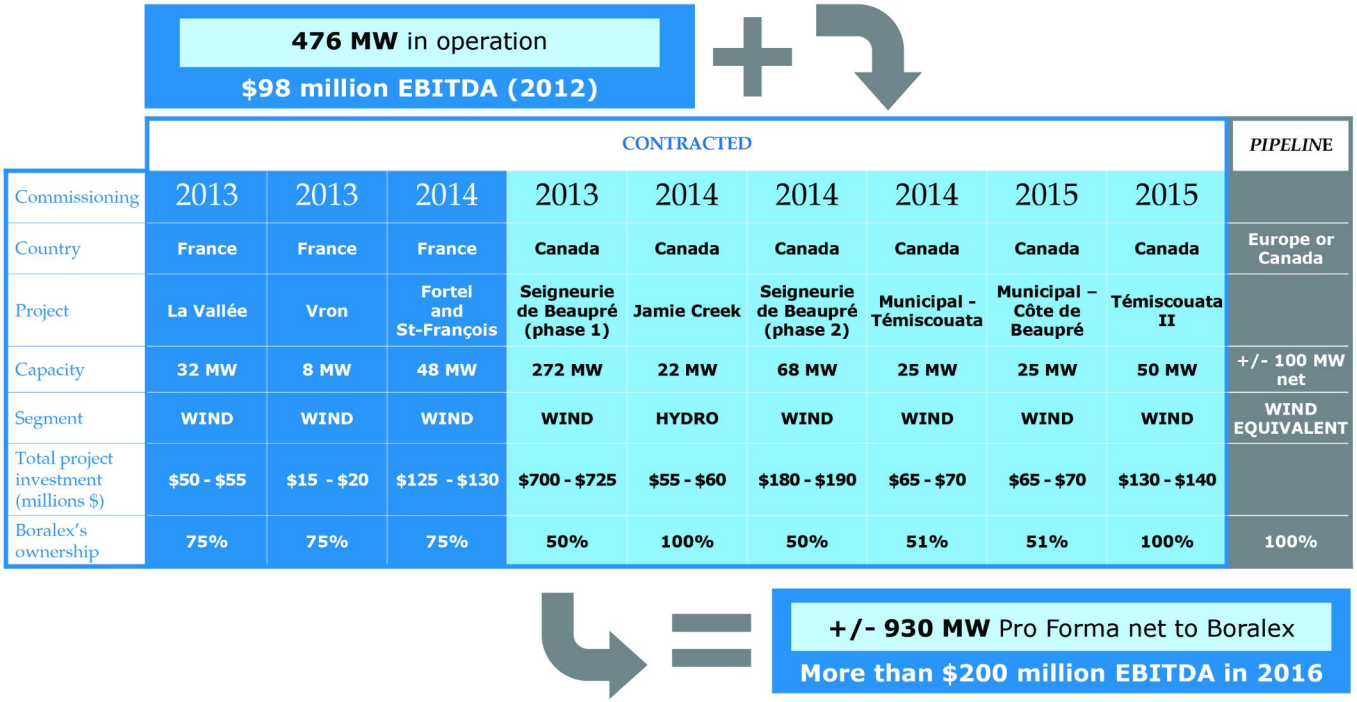
Over the past few years, Boralex has strived to lay the foundations of above-average, balanced and sustainable growth by pursuing its key goals of enhancing the value of its asset base, securing steady and predictable revenue and cash flow streams, and lowering its business risk exposures. As a result,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

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

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

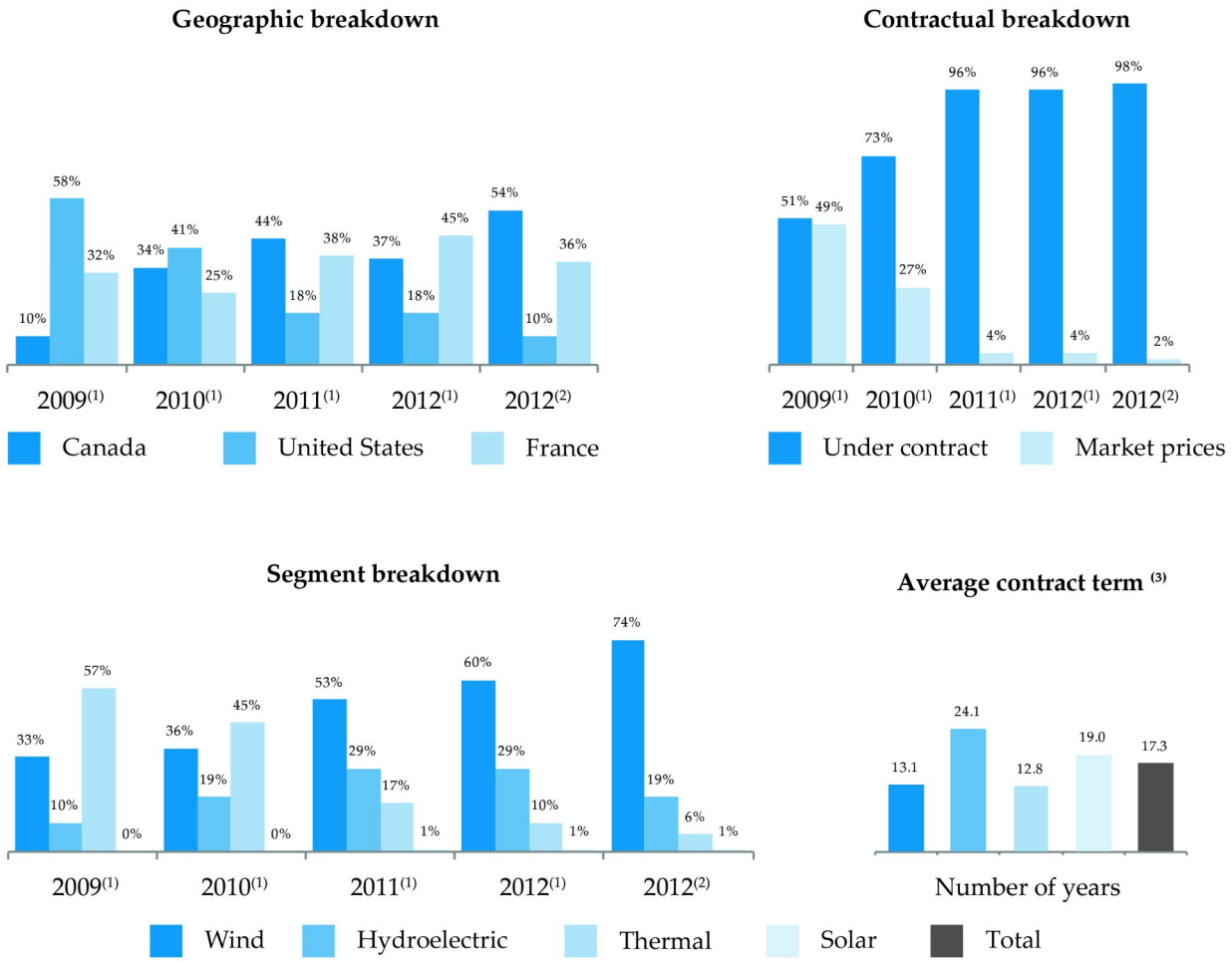
- The **wind power segment expanded significantly** with the installed capacity operated by Boralex increasing to 286 MW from 108 MW in December 2008. These operating assets located in France (196 MW) and Canada (90 MW) are fully covered by long-term power sales contracts. In addition, the Corporation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

Growth Path



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

These charts show changes in all sites owned as at December 31, 2012 compared with the end of previous fiscal years.



(1) In operation

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

(3) Based on annual production in MWh

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

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

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

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

Discontinued Operations

Following the sale of U.S. wood-residue thermal power stations in December 2011, the Corporation determined that this transaction met the criteria for discontinued operations under IFRS, which require discontinued operations to be presented as a separate line item in the consolidated statements of earnings (loss) and cash flows. To comply with this presentation requirement, the financial information presented in the annual report, including tabular amounts, has been restated to exclude data pertaining to discontinued operations, which are now reported separately under *Discontinued operations*. However, to provide readers with a full snapshot of the changes in Boralex's operations, the Corporation deemed it appropriate to include discontinued operations data in the previous section's charts to illustrate changes in installed capacity showing contractual, segment and geographic breakdown.

Furthermore, in addition to the after-tax consideration of approximately US$81 million received on the sale of Boralex's U.S. thermal power stations, the sales proceeds from Renewable Energy Certificates ("RECs") generated by these facilities in 2011 remained the property of Boralex. These RECs were sold during the first quarter of 2012 for an amount of $3.8 million before tax recorded under *Discontinued operations* in the consolidated statement of earnings (loss). In addition, under the terms of the transaction, Boralex is entitled to receive 50% of the REC sales proceeds in excess of the defined price thresholds for 2012, 2013 and 2014. Accordingly, Boralex recorded under *Discontinued operations* gains totalling $1.6 million before tax on its share of RECs generated during the second, third and fourth quarters of fiscal 2012. In total, REC sales generated an after-tax gain of $3.7 million for Boralex for all of fiscal 2012. Boralex believes that it could continue to receive attractive revenues on sales of RECs in the coming quarters as their current market value is higher than the threshold set in the sales transaction with demand exceeding supply. However, it is difficult to predict whether this trend will continue and to accurately measure the amounts that Boralex may receive by the end of 2014.

Closure and Sale of the Dolbeau Thermal Power Station (Québec) and Shutdown of Power Production at the Kingsey Falls Power Station (Québec)

Due to significant wood-residue supply difficulties at the Dolbeau power station, Boralex suspended its operations on April 2, 2011 and decided to shut down the facility permanently in the third quarter of fiscal 2011. Although this decision resulted in a shortfall in revenues and EBITDA for the first quarter of fiscal 2012, year over year, EBITDA for fiscal 2012 as a whole was impacted favourably compared with the previous year. On April 18, 2012, Boralex sold this power station to Resolute Forest Products ("Resolute") for a cash consideration of $5 million.

Also, on November 30, 2012, the day its power sales contract with Hydro-Québec expired, the 31 MW Kingsey Falls natural gas cogeneration power station shut down its power production operations. This event as well as its impact on the operating results are discussed in greater detail under *Review of Operating Segments: Thermal Power Stations* later in this MD&A. The Corporation has started discussions with its industrial client Cascades regarding a new contract for continuing to supply it with steam.

Contribution of a New Solar Power Station in France

The contribution from this site for all of fiscal 2012, compared with just over six months in fiscal 2011, had a favourable although non-significant effect on Boralex's results, as the site represents only 1% of the Corporation's total installed capacity in operation.

Acquisitions in Canada and France

With the proceeds from the sale of the U.S. wood-residue thermal power stations during the previous fiscal year, combined with its own cash flows from operations, Boralex carried out a series of strategic acquisitions during fiscal 2012.

In Canada, on March 27, 2012, the Corporation obtained a 20-year power supply contract with Hydro-Québec for a 50 MW wind power project to be commissioned at the end of 2015 in the regional county municipality ("RCM") of Témiscouata in Québec.

In France, on June 5, 2012, Boralex signed an agreement to acquire the 32 MW La Vallée wind power project. Commercial commissioning of the facility is slated for the end of 2013. This transaction was completed in November 2012. Also in France, on June 28, 2012, Boralex completed the acquisition of St-Patrick wind farm, a 34.5 MW facility already in operation, as well as three other wind power projects with a total installed capacity of 56 MW slated for commissioning in 2013 and 2014. Furthermore, Boralex obtained options to acquire an additional 130 MW in wind power projects under development in France from the company InnoVent. All the power generated by these wind power facilities will be sold to Électricité de France ("EDF") under long-term contracts.

Last, on October 25, 2012, Boralex completed the acquisition of a 22 MW hydroelectric project in British Columbia, Canada. Commercial commissioning of the facility is slated for 2014. The project is covered by a 40-year power sales contract with BC Hydro and has a 20-year renewal option.

The acquisitions made in 2012 are discussed in greater detail in the sections of this MD&A on the Corporation's different operating segments.

Seasonal Factors

(in thousands of dollars, except per share amounts and number of shares outstanding)	March 31, 2012	June 30, 2012	September 30, 2012	December 31, 2012	December 31, 2012
	Three-month periods ended				Year ended
POWER PRODUCTION (MWh) (unaudited)					
Wind power stations	172,405	183,836	100,343	210,838	632,422
Hydroelectric power stations	163,095	158,874	86,472	164,072	572,513
Thermal power stations	118,323	41,981	83,815	66,051	310,170
Solar power station	1,329	1,940	2,056	991	6,316
	455,152	386,631	272,686	441,952	1,521,421
REVENUES FROM ENERGY SALES					
Wind power stations	20,647	16,345	12,540	25,124	74,654
Hydroelectric power stations	13,986	12,445	7,456	13,860	47,748
Thermal power stations	22,242	9,285	12,173	12,654	56,355
Solar power station	576	830	852	425	2,683
	57,451	38,905	33,021	52,063	181,440
EBITDA					
Wind power stations	16,977	13,082	9,563	21,363	60,985
Hydroelectric power stations	10,644	9,056	7,510	9,541	36,752
Thermal power stations	8,395	1,154	2,408	2,601	14,558
Solar power station	495	723	770	324	2,312
	36,511	24,015	20,251	33,829	114,607
Corporate and eliminations	(3,169)	(5,155)	(4,025)	(3,902)	(16,250)
	33,342	18,860	16,226	29,927	98,357
NET EARNINGS (LOSS) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX					
Continuing operations	4,826	(6,035)	(8,167)	542	(8,836)
Discontinued operations	2,323	134	566	696	3,721
	7,149	(5,901)	(7,601)	1,238	(5,115)
NET EARNINGS (LOSS) PER SHARE (BASIC) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX					
Continuing operations	$0.13	($0.16)	($0.22)	$0.01	($0.24)
Discontinued operations	$0.06	—	$0.02	$0.02	$0.10
	$0.19	($0.16)	($0.20)	$0.03	($0.14)
NET EARNINGS (LOSS) PER SHARE (DILUTED) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX					
Continuing operations	$0.12	($0.16)	($0.22)	$0.01	($0.24)
Discontinued operations	$0.06	—	$0.02	$0.02	$0.10
	$0.18	($0.16)	($0.20)	$0.03	($0.14)
CASH FLOWS FROM OPERATIONS					
In dollars	21,849	5,778	6,870	14,118	48,615
Per share (basic)	$0.58	$0.15	$0.18	$0.37	$1.29
Weighted average number of shares outstanding (basic)	37,726,689	37,727,077	37,730,162	37,732,568	37,729,137

(in thousands of dollars, except per share amounts and number of shares outstanding)	Three-month periods ended				Year ended
	March 31, 2011	June 30, 2011	September 30, 2011	December 31, 2011	December 31, 2011
POWER PRODUCTION (MWh) (unaudited)					
Wind power stations	152,570	124,362	94,840	182,810	554,581
Hydroelectric power stations	145,004	213,490	148,596	196,522	703,612
Thermal power stations	175,046	88,138	92,423	114,225	469,835
Solar power station	—	268	1,942	1,017	3,227
	472,620	426,258	337,801	494,574	1,731,255
REVENUES FROM ENERGY SALES					
Wind power stations	18,273	15,193	11,328	22,461	67,255
Hydroelectric power stations	12,732	15,990	11,615	15,982	56,319
Thermal power stations	26,261	12,762	12,368	17,584	68,975
Solar power station	-	124	887	465	1,476
	57,266	44,069	36,198	56,492	194,025
EBITDA					
Wind power stations	15,066	11,991	8,160	18,440	53,657
Hydroelectric power stations	9,076	12,648	8,513	11,386	41,623
Thermal power stations	11,532	2,078	2,928	4,100	20,638
Solar power station	-	121	810	399	1,330
	35,674	26,838	20,411	34,325	117,248
Corporate and eliminations	(4,445)	(4,300)	(3,723)	(4,024)	(16,492)
	31,229	22,538	16,688	30,301	100,756
NET EARNINGS (LOSS) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX					
Continuing operations	3,903	(3,730)	(6,315)	3,536	(2,606)
Discontinued operations	3,108	(1,377)	(893)	4,651	5,489
	7,011	(5,107)	(7,208)	8,187	2,883
NET EARNINGS (LOSS) PER SHARE (BASIC) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX					
Continuing operations	$0.11	($0.10)	($0.17)	$0.10	($0.07)
Discontinued operations	$0.08	($0.04)	($0.02)	$0.12	$0.15
	$0.19	($0.14)	($0.19)	$0.22	$0.08
NET EARNINGS (LOSS) PER SHARE (DILUTED) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX					
Continuing operations	$0.10	($0.10)	($0.17)	$0.10	($0.07)
Discontinued operations	$0.08	($0.04)	($0.02)	$0.12	$0.15
	$0.18	($0.14)	($0.19)	$0.22	$0.08
CASH FLOWS FROM OPERATIONS					
In dollars	17,453	9,602	9,572	17,613	54,240
Per share (basic)	$0.46	$0.25	$0.25	$0.47	$1.44
Weighted average number of shares outstanding (basic)	37,766,491	37,773,213	37,745,598	37,725,898	37,752,670

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

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

Wind

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

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

Hydroelectricity

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

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

Thermal

Boralex owns and operates two thermal power stations for an aggregate 49 MW of installed capacity. Of the two, the Senneterre power station in Québec, Canada is fuelled by wood-residue and is covered by a Hydro-Québec power sales contract expiring in 2027. Towards the end of 2011, an agreement was entered into with Hydro-Québec under which the Senneterre power station will produce power six months per year during 2012 and 2013, from December to March and in July and August. Given the terms of the agreement, the power station's results are not expected to be affected, provided the facility operates at the projected level during its months in operation.

Boralex also operates a natural gas-fired power station located in Blendecques, France. The current sales contract with EDF, which expires in November 2013, contains a clause that caps electricity prices when the power station operates from April to October. When the cost of natural gas is high, the profit margin for this period is not sufficient to offset the impact of the electricity price cap. The cogeneration equipment may therefore be shut down, in which case the Corporation supplies steam to its client from an auxiliary boiler. Accordingly, since 2005, the power station has operated its cogeneration equipment during the five months from November to March. Note that steam production is quite stable from quarter to quarter, as it is driven by client demand, which is relatively predictable and steady. Since 2005, given the higher ceiling price provision and the higher natural gas cost level, the power station has operated its cogeneration equipment only five months per year, from November to March. For the same reasons, the power station is scheduled to suspend its electricity production at the end of March 2013. Steps are being taken to enter into a new power sales contract with EDF before the expiry of the current contract as long as proposed terms and conditions meet the Corporation's profitability requirements. Until an agreement is finalized, Boralex's management cannot comment on the medium- and long-term future of this power station.

Solar

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

TO SUM UP,

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

Financial Highlights

(in thousands of dollars, except MWh and per share amounts and number of shares outstanding)	Three-month periods ended December 31		Years ended December 31	
	2012	2011	2012	2011
POWER PRODUCTION (MWh) (unaudited)				
Wind power stations	210,838	182,810	632,422	554,581
Hydroelectric power stations	164,072	196,522	572,513	703,612
Thermal power stations	66,051	114,225	310,170	469,835
Solar power station	991	1,017	6,316	3,227
	441,952	494,574	1,521,421	1,731,255
REVENUES FROM ENERGY SALES				
Wind power stations	25,124	22,461	74,654	67,255
Hydroelectric power stations	13,860	15,982	47,748	56,319
Thermal power stations	12,654	17,584	56,355	68,975
Solar power station	425	465	2,683	1,476
	52,063	56,492	181,440	194,025
EBITDA				
Wind power stations	21,363	18,440	60,985	53,657
Hydroelectric power stations	9,541	11,386	36,752	41,623
Thermal power stations	2,601	4,100	14,558	20,638
Solar power station	324	399	2,312	1,330
	33,829	34,325	114,607	117,248
Corporate and eliminations	(3,902)	(4,024)	(16,250)	(16,492)
	29,927	30,301	98,357	100,756
ADJUSTED EBITDA				
Wind power stations	21,363	18,440	60,985	53,657
Hydroelectric power stations	10,258	11,386	33,512	41,623
Thermal power stations	2,601	4,100	14,558	20,638
Solar power station	324	399	2,312	1,330
	34,546	34,325	111,367	117,248
Corporate and eliminations	(5,412)	(4,024)	(16,217)	(16,492)
	29,134	30,301	95,150	100,756
NET EARNINGS (LOSS) ATTRIBUTABLE TO SHAREHOLDERS				
Continuing operations	542	3,536	(8,836)	(2,606)
Discontinued operations	696	4,651	3,721	5,489
	1,238	8,187	(5,115)	2,883
NET EARNINGS (LOSS) PER SHARE (BASIC AND DILUTED) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX				
Continuing operations	$0.01	$0.10	($0.24)	($0.07)
Discontinued operations	$0.02	$0.12	$0.10	$0.15
	$0.03	$0.22	($0.14)	$0.08
CASH FLOWS FROM OPERATIONS				
In dollars	14,118	17,613	48,615	54,240
Per share (basic)	$0.37	$0.47	$1.29	$1.44
Weighted average number of shares outstanding (basic)	37,732,568	37,725,898	37,729,137	37,752,670

Operating Results Data

(in thousands of dollars, except MWh and per share amounts and number of shares outstanding)	Years ended December 31 2012	2011	2010
POWER PRODUCTION (MWh) (unaudited)	1,521,421	1,731,255	876,211
REVENUES FROM ENERGY SALES	181,440	194,025	102,812
EBITDA	98,357	100,756	39,414
NET EARNINGS (LOSS) ATTRIBUTABLE TO SHAREHOLDERS			
Continuing operations	(8,836)	(2,606)	23,414
Discontinued operations	3,721	5,489	11,658
	(5,115)	2,883	35,072
NET EARNINGS (LOSS) PER SHARE (BASIC AND DILUTED) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX			
Continuing operations	($0.24)	($0.07)	$0.62
Discontinued operations	$0.10	$0.15	$0.31
	($0.14)	$0.08	$0.93
Weighted average number of shares outstanding (basic)	37,729,137	37,752,670	37,741,916

Statement of Financial Position Data

(in thousands of dollars, except per share amounts and number of shares outstanding)	As at December 31 2012	2011	2010
Total assets	1,229,871	1,176,855	1,245,507
Debt*	522,186	506,184	513,774
Convertible debentures	226,299	223,347	220,824
Total equity	342,369	328,878	367,689

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

Non-IFRS Measures

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

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

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

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

	Three-month periods ended December 31		Years ended December 31	
(in thousands of dollars)	2012	2011	2012	2011
Net earnings (loss) attributable to shareholders of Boralex	1,238	8,187	(5,115)	2,883
Net earnings from discontinued operations	(696)	(4,651)	(3,721)	(5,489)
Non-controlling shareholders	634	382	(149)	(379)
Income tax expense (recovery)	1,273	1,277	(2,183)	(2,311)
Net loss (gain) on financial instruments	(103)	498	396	972
Foreign exchange loss (gain)	(80)	2,386	26	(961)
Financing costs	12,640	12,639	49,279	49,664
Impairment loss (reversal of writedown) of property, plant and equipment and intangible assets	—	(5,000)	823	1,503
Other losses (gains)	—	—	971	(2,959)
Amortization	15,021	14,583	58,030	57,833
EBITDA	29,927	30,301	98,357	100,756

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

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

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

	Years ended December 31	
(in thousands of dollars)	2012	2011
Net cash flows related to operating activities	47,396	66,131
Less:		
Change in non-cash items related to operating activities	(1,219)	11,891
CASH FLOWS FROM OPERATIONS	48,615	54,240

The Corporation defines net debt as follows:

(in thousands of dollars)	As at December 31, 2012	As at December 31, 2011
Non-current debt	423,616	479,525
Current portion of debt	98,570	26,659
Borrowing costs, net of accumulated amortization	7,263	8,889
Less:		
Cash and cash equivalents	(107,138)	(144,703)
Restricted cash*	(5,063)	(552)
Net debt	417,248	369,818

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

The Corporation defines total book capitalization as follows:

(in thousands of dollars)	As at December 31, 2012	As at December 31, 2011
Total equity	342,369	328,878
Net debt	417,248	369,818
Convertible debentures	226,299	223,347
Convertible debenture issuance costs, net of accumulated amortization	4,164	4,710
Deferred taxes on convertible debentures	5,158	5,158
Imputed interest calculated on convertible debentures	(5,251)	(2,728)
Total book capitalization	989,987	929,183

The Corporation computes the ratio of net debt as follows:

(in thousands of dollars)	As at December 31, 2012	As at December 31, 2011
Net debt	417,248	369,818
Total book capitalization	989,987	929,183
NET DEBT RATIO	42.1%	39.8%

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

	Three-month periods ended December 31		Years ended December 31	
(in thousands of dollars)	2012	2011	2012	2011
EBITDA - Hydroelectric segment	9,541	11,386	36,752	41,623
Specific items:				
Retroactive adjustment to taxes on water rights of hydroelectric power stations in the U.S. and Canada	717	—	(3,240)	—
ADJUSTED EBITDA - HYDROELECTRIC SEGMENT	10,258	11,386	33,512	41,623

	Three-month periods ended December 31		Years ended December 31	
(in thousands of dollars)	2012	2011	2012	2011
EBITDA - Corporate segment	(3,902)	(4,024)	(16,250)	(16,492)
Specific items:				
Professional fees incurred in connection with acquisitions in France and Canada	305	—	1,848	—
Other income	(1,815)	—	(1,815)	—
ADJUSTED EBITDA - CORPORATE SEGMENT	(5,412)	(4,024)	(16,217)	(16,492)

	Three-month periods ended December 31		Years ended December 31	
(in thousands of dollars)	2012	2011	2012	2011
EBITDA - Consolidated	29,927	30,301	98,357	100,756
Specific items:				
Retroactive adjustment to taxes on water rights of hydroelectric power stations in the U.S. and Canada	717	—	(3,240)	—
Professional fees incurred in connection with acquisitions in France and Canada	305	—	1,848	—
Other income	(1,815)	—	(1,815)	—
ADJUSTED EBITDA - CONSOLIDATED	29,134	30,301	95,150	100,756

	Three-month periods ended December 31		Years ended December 31	
(in thousands of dollars)	2012	2011	2012	2011
Net earnings (loss) attributable to shareholders of Boralex	1,238	8,187	(5,115)	2,883
Net earnings from discontinued operations	(696)	(4,651)	(3,721)	(5,489)
Specific items*:				
Retroactive adjustment to taxes on water rights of hydroelectric power stations in the U.S. and Canada	977	—	(1,397)	—
Professional fees incurred in connection with acquisitions in France and Canada	212	—	1,246	—
Other income	(1,271)	—	(1,271)	—
Impairment (reversal) of property, plant and equipment and intangible assets	—	(3,500)	492	1,052
Other losses (gains)	—	—	680	(2,071)
ADJUSTED NET EARNINGS (LOSS) - CONSOLIDATED	460	36	(9,086)	(3,625)

* Net of income taxes.

Specific Items in the Quarters ended December 31, 2012 and 2011

During the last quarter of fiscal 2012, Boralex reported specific items with a total net favourable impact of $0.8 million on EBITDA and net earnings for the quarter: These items are as follows:

- A $0.7 million expense before tax ($1.0 million after tax, including the related penalties and interest) related to a retroactive adjustment to taxes on water rights of hydroelectric power stations;
- Professional fees of $0.3 million before tax ($0.2 million after tax) incurred in connection with acquisitions in France and Canada;
- Other income of $1.8 million before tax ($1.3 million after tax) recorded following the receipt of 155,890 shares from paper maker Resolute (formerly AbitibiBowater) as final settlement of the dispute over the amounts owed by Resolute to Boralex regarding the Dolbeau thermal power station in Québec, Canada, previously operated by the Corporation on behalf of Resolute; and
- A gain of $0.7 million after-tax representing net earnings from discontinued operations, i.e., the U.S. wood-residue power stations that were sold to a third party in December 2011. As provided for under the sale transaction discussed previously, this amount comprises the Corporation's 50% share (after tax) of REC sales made by these power stations in the fourth quarter at prices exceeding the threshold price set at the time of the transaction.

In the fourth quarter of fiscal 2011, Boralex had reported two specific items with a total favourable impact of $8.2 million on its net earnings:

- An amount of $4.7 million after tax representing the net earnings from discontinued operations generated prior to their sale as well as a gain on disposal of assets; and
- An amount of $3.5 million representing a $5.0 million (before tax) partial reversal of impairment of property, plant and equipment at the Dolbeau thermal power station following the receipt of Resolute's purchase offer by Boralex.

Specific Items in the Years ended December 31, 2012 and 2011

During fiscal 2012, Boralex recorded the following specific items with a total net favourable impact of $3.2 million and $4.0 million, respectively, on EBITDA and net loss for the fiscal year:

- A total net favourable amount of $3.2 million before tax ($1.4 million after tax) comprising retroactive adjustments to taxes and duties relating to the water rights of hydroelectric power stations in the United States and Canada;
- Professional fees of $1.8 million before tax ($1.2 million after tax) incurred in connection with acquisitions in France and Canada during fiscal 2012;
- Specific income, as previously mentioned, of $1.8 million before tax ($1.3 million after tax) in the form of shares received from Resolute;
- A gain of $3.7 million after-tax related to net earnings from discontinued operations, mainly representing the sale in the first quarter of RECs produced in 2011 by the thermal power stations sold in December 2011, and the 50% share (after tax) of REC sales made by these power stations in the second, third and fourth quarters and whose value exceeded the threshold price set at the time of the transaction;
- An impairment charge of $0.5 million after tax on property, plant and equipment and intangible assets that were subsequently sold by the Corporation; and
- A loss of $0.7 million after tax on the sale of Resolute shares that were previously issued by Resolute to Boralex.

In fiscal 2011, Boralex had not recorded any specific items with an impact on EBITDA. However, three specific items had a total net favourable impact of $6.5 million on net earnings:

- A $5.5 million favourable amount representing after-tax earnings from discontinued operations made up of net earnings from operations of $2.1 million and a net gain on the sale of assets of $3.3 million;
- A total net impairment charge of $1.1 million on property, plant and equipment and intangible assets of the Dolbeau thermal power station; and
- Total gains of $2.1 million from the sale of non-strategic wind power project in Ontario, the sale of Resolute shares and the disposal of assets to the joint venture in which Boralex has a 50% interest (the "Joint Venture"), created in 2011 in connection with the Seigneurie de Beaupré wind farms in Québec.

Analysis of Operating Results for the Three-Month Period Ended December 31, 2012

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

	Adjusted net earnings (in thousands of dollars)	Per share (in $, basic)
THREE-MONTH PERIOD ENDED DECEMBER 31, 2011	36	—
Change in adjusted EBITDA	(1,167)	($0.03)
Amortization	(438)	($0.01)
Financing costs	677	$0.02
Foreign exchange gains	2,466	$0.06
Net loss on financial instruments	601	$0.02
Income tax recovery	(1,463)	($0.04)
Non-controlling shareholders	(252)	($0.01)
THREE-MONTH PERIOD ENDED DECEMBER 31, 2012	460	$0.01

For the three-month period ended December 31, 2012, excluding specific items described in the previous section, Boralex reported adjusted net earnings of $0.5 million or $0.01 per share (basic and diluted) compared with non-significant net earnings for the same quarter of the previous year. This improvement stemmed mostly from the foreign exchange gains and gains on financial instruments totalling $0.2 million before tax generated by the Corporation in the fourth quarter of 2012 compared with foreign exchange losses and losses on financial instruments totalling $2.9 million before tax in the same quarter of 2011. In addition, the Corporation benefited from lower financing costs, on an adjusted basis, of $0.7 million due to the reasons discussed later in this section.

These favourable items totalling $3.7 million more than offset the $1.2 million decline in adjusted EBITDA, owing primarily to the decline in output, the $0.4 million increase in the amortization expense and the $1.5 million change in income taxes.

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

(in thousands of dollars)	Revenues from energy sales	Adjusted EBITDA
THREE-MONTH PERIOD ENDED DECEMBER 31, 2011	56,492	30,301
Power station commissioned	3,448	3,013
Shutdown of Kingsey Falls thermal power station	(3,398)	(1,349)
Pricing	649	649
Volume	(3,609)	(2,961)
Translation of self-sustaining subsidiaries (exchange rate effect)	(1,503)	(916)
Raw material costs	—	(643)
Maintenance	—	567
Development - prospecting	—	(527)
Other	(16)	1,000
THREE-MONTH PERIOD ENDED DECEMBER 31, 2012	52,063	29,134

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

Revenues from Energy Sales

For the three-month period ended December 31, 2012, revenues from energy sales from continuing operations of Boralex totalled $52.1 million, down $4.4 million or 7.8% from $56.5 million for the same period of 2011. Exchange rate fluctuations, primarily the weakening of the euro against the Canadian dollar, accounted for a $1.5 million decline in revenues between the two comparative periods. At constant exchange rates, the decline amounted to $2.9 million or 5.2%.

The main factor underlying the revenue decline was the 10.6% drop in production volume to 441,952 MWh in the fourth quarter of 2012 from 494,574 MWh for the same period of 2011. The lower output is mostly attributable to the thermal power segment, more specifically to the shutdown of power production at the Kingsey Falls power station on November 30, 2012, the day its sales contract with Hydro-Québec expired, as well as to the agreement between Boralex and Hydro-Québec under which the Senneterre thermal power station produced electricity only in December 2012 compared with the full fourth quarter in 2011.

In addition, although close to the historical average for the current period of the year, production volume of hydroelectric power stations located in the State of New York was lower than the exceptionally high level achieved in the fourth quarter of fiscal 2011 following particularly favourable water flow conditions. The decline in output of the thermal and hydroelectric segments was however partly offset by a 15.3% rise in wind power segment production volume, mainly following the addition of the St-Patrick site in France in June 2012 and higher output at existing wind power facilities in France.

The changes in production described above had a total net unfavourable impact of $3.6 million on quarterly revenues, including the contribution of the new St-Patrick wind power site. The volume effect was partly offset by a favourable price effect of $0.6 million attributable to all segments.

Other Income

Other income totalled $2.4 million in the fourth quarter of 2012, including revenues of $1.8 million relating to the shares received from Resolute, $0.2 million from the sale of excess CO_2 quotas by the Blendecques thermal power station in France and $0.2 million in management fees. The Corporation had recorded other income of $0.2 million in the fourth quarter of 2011, comprising solely of management fees.

Adjusted EBITDA

Adjusted EBITDA from continuing operations amounted to $29.1 million for the fourth quarter of 2012, down $1.2 million or 4.0% from $30.3 million for the same period of 2011. However, excluding the unfavourable foreign exchange impact of $0.9 million, adjusted EBITDA for the fourth quarter of 2012 was comparable to the previous year result, declining slightly by less than 1%.

Adjusted EBITDA margin as a percentage of revenues improved significantly to 56.0% for the fourth quarter of fiscal 2012 from 53.6% for the same period of 2011. The improvement was driven mostly by the wind power segment's increased relative weight in Boralex's consolidated results, following the addition of the St-Patrick site combined with lower output of the thermal power segment as discussed above. Furthermore, the thermal power segment's lower output had a less negative impact on adjusted EBITDA than on consolidated revenues, owing mainly to the savings in raw material and other costs following the shutdown of power production at the Kingsey Falls power station as well as the safeguard provisions in the agreement between Hydro-Québec and the Senneterre power station to ensure that the facility's profitability is not adversely impacted by scheduled production shutdowns.

In the aggregate, the factors that influenced production volume of the different segments, namely the addition of the St-Patrick wind power site, the shutdown of production at two thermal power stations and changes in productivity in existing assets, had a total unfavourable impact of $1.2 million on EBITDA for the fourth quarter of 2012. Profitability for the period was also affected by a $0.6 million increase in raw material costs resulting mainly from the higher cost of natural gas consumed by the thermal power stations, namely Kingsey Falls in Québec, Canada, and Blendecques in France, as well as a $0.5 million rise in the development and prospecting expense mainly related to wind power projects in Canada.

Conversely, Boralex's profitability for the fourth quarter of 2012 benefited from the $0.6 million favourable price effect discussed above, a $0.6 million decrease in maintenance costs, and various other favourable items totalling $1.0 million due mainly to the non-recurrence of certain unfavourable items and other costs incurred in 2011.

Amortization

The amortization expense rose $0.4 million to $15.0 million in the fourth quarter of fiscal 2012, following the addition of the St-Patrick wind power site and the accelerated amortization of the Blendecques thermal power station's boiler in anticipation of the expiry of its current power sales contract with EDF in November 2013. As mentioned previously, efforts are underway to enter into a new contract with terms and conditions that meet the Corporation's performance criteria. The outcome of these efforts will determine whether the existing facilities at the power station will be closed permanently or replaced by more modern equipment. The higher amortization expense in the fourth quarter was mitigated by certain favourable factors, including the shutdown of cogeneration operations at the Kingsey Falls power station on November 30, 2012 and the positive impact of the weaker euro on the Corporation's European assets.

As discussed in the previous section, *Specific Items in the Quarters Ended December 31, 2012 and 2011*, Boralex recorded a $5.0 million pre-tax impairment reversal in the fourth quarter of 2011 with respect to the Dolbeau thermal power station.

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

Financing costs decreased by $0.7 million on an adjusted basis to $12.0 million, mainly following the gradual repayment of debts related to existing French and Canadian wind power sites and the favourable impact of the weaker euro on the amount of debt contracted in France.

Boralex reported a foreign exchange gain of $0.1 million in the fourth quarter of 2012 compared with a foreign exchange loss of $2.4 million in 2011, which resulted from the unfavourable remeasurement of intercompany advances following repatriation of liquidities from the United States to Canada and exchange rate fluctuations.

The Corporation recognized a net gain of $0.1 million on financial instruments in the fourth quarter of 2012 compared with a net loss of $0.5 million on financial instruments for the same period of 2011, resulting in a favourable impact of $0.6 million. Note that *Net loss (gain) on financial instruments* consists mainly of the ineffective portion of financial instruments. Although all of the financial instruments used by Boralex are highly effective, they always include a very small ineffective portion.

Adjusted Net Loss Attributable to Shareholders of Boralex

Excluding all specific items for the two comparative periods, Boralex reported adjusted net earnings of $0.5 million or $0.01 per share (basic and diluted) for the three-month period ended December 31, 2012 compared with non-significant net earnings for the same quarter of the previous year.

TO SUM UP,

despite the decrease in scheduled production of the thermal power segment and less favourable water flow conditions than in 2011, Boralex improved its profit margin and net earnings, driven mostly by the wind power segment's excellent performance. As in previous quarters, this performance continues to highlight the benefits of Boralex's development strategy and positioning, specifically the positive impacts of the wind power segment's expansion and growing geographic diversification, including the contribution of the recently acquired operating site in France.

Analysis of Operating Results for the Year Ended December 31, 2012

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

	Adjusted net earnings (in thousands of dollars)	Per share (in $, basic)
YEAR ENDED DECEMBER 31, 2011	(3,625)	($0.10)
Change in adjusted EBITDA	(5,606)	($0.14)
Amortization	(197)	($0.01)
Financing costs	1,063	$0.03
Foreign exchange loss (gain)	(987)	($0.03)
Net loss on financial instruments	576	$0.02
Income tax recovery	31	—
Non-controlling shareholders	(341)	($0.01)
YEAR ENDED DECEMBER 31, 2012	(9,086)	($0.24)

Boralex reported an adjusted net loss of $9.1 million or $0.24 per share (basic and diluted) for the year ended December 31, 2012, compared with an adjusted net loss of $3.6 million or $0.10 per share (basic and diluted) for fiscal 2011. The $5.5 million negative variance stemmed primarily from the $5.6 million decline in adjusted EBITDA as the other unfavourable items (mainly change in foreign exchange gains and losses and the higher amortization expense) were offset by favourable items, more specifically the decrease in financing costs and net loss in financial instruments.

As discussed in greater detail in this section, besides the unfavourable effect of currency fluctuations, the lower EBITDA is mainly attributable to the decline in the production volume of the hydroelectric and thermal power segments and the higher cost of natural gas consumed by the Kingsey Falls and Blendecques thermal power stations.

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

(in thousands of dollars)	Revenues from energy sales	Adjusted EBITDA
YEAR ENDED DECEMBER 31, 2011	194,025	100,756
Power stations commissioned*	6,463	5,255
Shutdown of Dolbeau thermal power station	(3,921)	605
Shutdown of Kingsey Falls thermal power station	(3,398)	(1,349)
Pricing	3,188	3,188
Volume	(11,185)	(8,344)
Translation of self-sustaining subsidiaries (exchange rate effect)	(3,090)	(1,576)
Raw material costs	—	(4,913)
Maintenance	—	(613)
Other	(642)	2,141
YEAR ENDED DECEMBER 31, 2012	181,440	95,150

* Addition of the already operating St-Patrick site acquired on June 28, 2012 and the additional contribution of the Avignonet-Lauragais solar power station which operated during the full 12-month period compared with 6.5 months in 2011.

Revenues from Energy Sales

For the year ended December 31, 2012, revenues from energy sales from continuing operations totalled $181.4 million, down $12.6 million or 6.5% from $194.0 million in 2011. Excluding the unfavourable impact of $3.1 million resulting from exchange rate fluctuations, the decline in revenues at constant exchange rates amounted to $9.5 million or 4.9%.

The decrease in revenues is largely due to a 12.1% fall in total production volume to 1,521,421 MWh in 2012, compared with 1,731,255 MWh in 2011.

First, the thermal power segment's production volume declined 34.0% for the following reasons: the agreement with Hydro-Québec, under which the Senneterre power station was in operation for only six months in 2012 compared with 12 months in 2011; the shutdown of power production at the Kingsey Falls power station on November 30, 2012; and the contribution to results made by the Dolbeau power station in the first three months of fiscal 2011. Second, the hydroelectric power segment's output declined 18.6% due to very low water flow conditions in the second and third quarters of 2012 and the fact that the U.S. power stations benefited from exceptionally favourable conditions in the fourth quarter of 2011 while output in the same quarter of 2012 was slightly below historical averages.

In contrast, the wind power segment recorded a 14.0% rise in production volume following the addition of the new St-Patrick site combined with a 5.7% increase in productivity at existing sites. Last, Boralex's total production volume benefited from the contribution of its new solar power station during all of fiscal 2012 compared with 6.5 months in 2011.

In the aggregate, the above-described changes in output in the different segments had a total net unfavourable impact of $12.0 million on consolidated revenues for fiscal 2012. These unfavourable factors combined with other items of lesser importance were partly offset by the $3.2 million favourable impact generated by the increase of the Corporation's average selling price, mainly attributable to the natural gas fired thermal power plants and the wind power segment.

Other Income

Other income of $2.9 million recorded in 2012 include the receipt of Resolute shares in the amount of $1.8 million, the sale of excess CO_2 quotas amounting $0.2 million, and management fees totalling $0.7 million, the same amount as in fiscal 2011.

Adjusted EBITDA

Adjusted EBITDA totalled $95.2 million in fiscal 2012, down $5.6 million or 5.6% from adjusted EBITDA of $100.8 million in 2011. However, adjusted EBITDA margin rose slightly to 52.4% in 2012 from 51.9% in 2011, driven primarily by the greater contribution of the wind power segment.

Taking into consideration the new St-Patrick wind power site's $5.3 million contribution to adjusted EBITDA and the full contribution of the solar power station, the above-described changes in production in the various segments had a total net negative impact of $3.8 million on Boralex's adjusted EBITDA. Note that the impact on EBITDA of the decline in thermal power segment output and revenues was mitigated by the safeguard provisions included in the agreement between Hydro-Québec and the Senneterre power station, the various savings generated by the shutdown of cogeneration operations at the Kingsey Falls power station and by the permanent closure of the Dolbeau power station. Boralex's adjusted consolidated EBITDA was bolstered by organic growth in wind power segment results, resulting from good equipment availability, higher profitability at existing sites and wind conditions in France that were clearly better than in the previous year.

Besides the decline in output, Boralex's operating profitability was affected by the following factors in 2012:

- A $4.9 million increase in raw material costs, more specifically natural gas;
- A $0.6 million increase in maintenance costs; and
- A $1.6 million unfavourable foreign exchange effect.

However, these factors were partly offset by the $3.2 million contribution attributable to the higher average selling price and certain other favourable items totalling $2.1 million, mainly due to the decline or non-recurrence of items and various costs incurred in 2011.

Amortization and Impairment of Property, Plant and Equipment and Intangible Assets

The amortization expense totalled $58.0 million in fiscal 2012, slightly up $0.2 million from $57.8 million in 2011. The addition of the St-Patrick wind power site, the operation of the solar power station during the full 12-month period compared with 6.5 months in 2011 and the accelerated amortization of the Blendecques thermal power station's boiler in the fourth quarter of 2012 were largely offset by the shutdown of the Dolbeau and Kingsey Falls power stations, a favourable foreign exchange impact and by various other less important factors.

As shown in the table on page 17 of this MD&A and as discussed under *Specific Items in the Years Ended December 31, 2012 and 2011*, Boralex recognized a $0.5 million after-tax impairment loss on various property, plant and equipment and intangible assets that were subsequently sold by the Corporation. In 2011, Boralex had recognized a total impairment loss of $1.1 million after tax relating to the Dolbeau power station.

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

Financing costs declined by $1.1 million to $48.6 million, mainly following the decrease in the debt related to the wind power stations in France and Canada, the favourable impact of the weak euro on the translation of loans contracted in France into Canadian dollars and additional interest income earned in 2012. These favourable items were offset by the higher financing costs resulting from the addition of the St-Patrick wind power site and the operation of the solar power station during all of fiscal 2012.

Boralex recorded a slight foreign exchange loss in 2012 compared with a total foreign exchange gain of $1.0 million in 2011 resulting from favourable remeasurements of intercompany advances and foreign currency balances. Last, the Corporation recognized a $0.4 million net loss on financial instruments in 2012, compared with a $1.0 million net loss on in 2011.

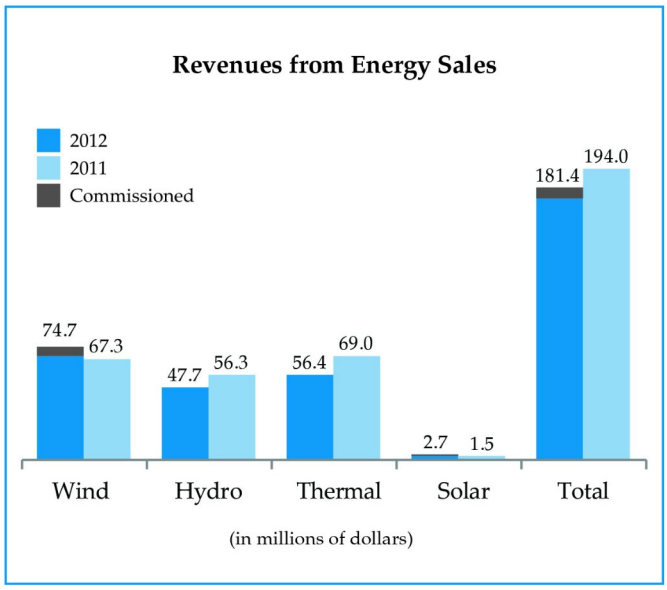
Adjusted Net Loss Attributable to Shareholders of Boralex

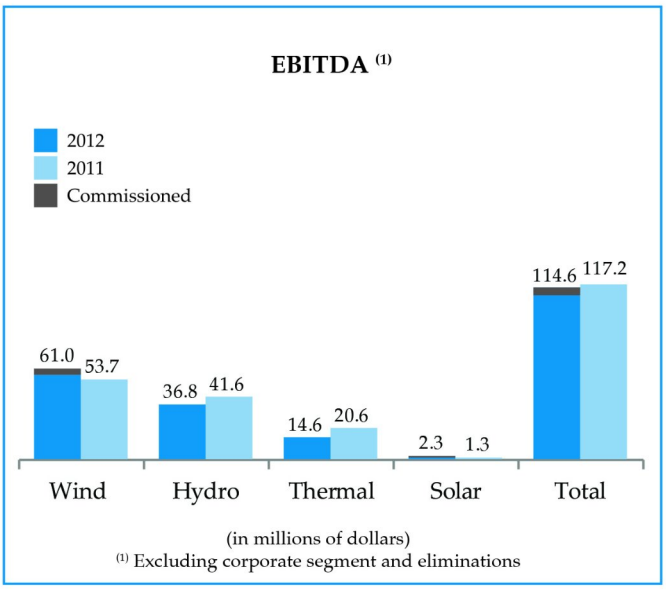
Boralex reported an adjusted net loss of $9.1 million or $0.24 per share (basic and diluted) for the year ended December 31, 2012, compared with an adjusted net loss of $3.6 million or $0.10 per share (basic and diluted) for fiscal 2011. The $5.5 million negative variance stemmed primarily from the $5.6 million decline in adjusted EBITDA as explained above.

TO SUM UP,

Boralex's performance in 2012 was mainly affected by weather conditions less favourable than in 2011 in its hydroelectric power segment, the impact of higher natural gas prices on thermal power segment results and the shutdown of cogeneration operations at Kingsey Falls power station. Except for these important factors, fiscal 2012 results demonstrate the benefits of the Corporation's strategy, namely to focus operations and development projects on renewable energy production assets with superior growth and profit potential. The geographic and segment diversification of the Corporation's asset base combined with sound performance and the recent expansion in the wind power segment, the commissioning of the new solar power station and the voluntary decrease in the relative weight of the thermal power segment have significantly contributed to the Corporation's results and increased its overall profit margin, which reflects a more promising positioning for growth and profitability.

Geographic and Segment Breakdown of Results of Continuing Operations for Fiscal 2012 and 2011





The following is a discussion of changes in segment breakdown of revenues and EBITDA for fiscal 2012 compared with fiscal 2011.

Wind

Wind power segment revenues grew 11.0% in 2012 compared with 2011, with its share in consolidated revenues rising to 41.2% in 2012 from 34.7% in 2011. Revenue growth stemmed from the addition of the new St-Patrick site acquired at the end of the second quarter and higher productivity at existing facilities.

Wind power EBITDA rose 13.6%, accounting for 53.2% of consolidated EBITDA (before the corporate segment and eliminations) in 2012 compared with 45.8% in 2011, thereby confirming the segment's position as Boralex's most significant source of EBITDA. The segment's EBITDA margin is also higher than the average for Boralex's energy asset portfolio, amounting to approximately 81.7% for 2012 (79.8% in 2011). With Boralex's share of wind power projects under development set to add nearly 334 MW to its net contracted capacity, the segment's top contribution to operating profitability stands to grow in the coming years, enhancing the Corporation's average profit margin.

Hydroelectric

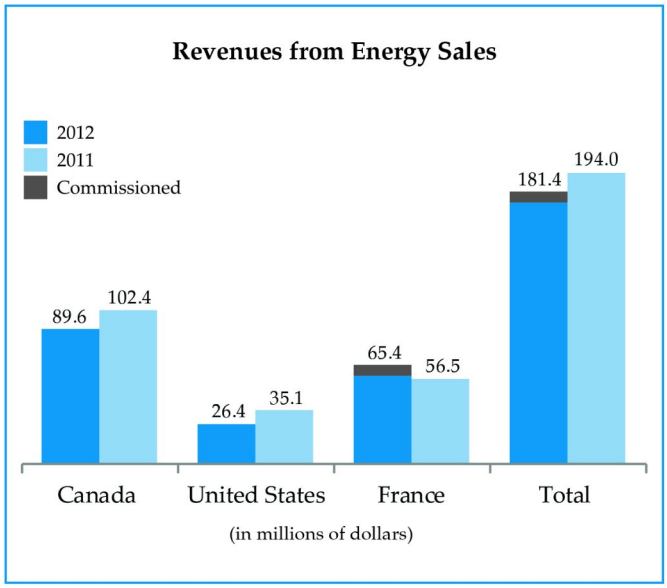
The hydroelectric segment's share of consolidated revenues for fiscal 2012 declined to 26.3% from 29.0% year over year, as segment revenues fell 15.3% owing to low water flow rates in the second and third quarters of 2012, particularly in the Northeastern United States, and the output of U.S. power stations in the fourth quarter declined from the exceptionally high level for the same period of 2011. Hydroelectric segment EBITDA declined 11.5% (19.2% on an adjusted basis, i.e. by excluding retroactive adjustments for taxes on water rights of certain power stations) with its share of consolidated EBITDA (before the corporate segment and eliminations) falling to 32.1% in 2012 from 35.5% in 2011. As a percentage of revenues, segment EBITDA margin grew to 77.1% in 2012 (70.4% on an adjusted basis) from 73.9% in 2011.

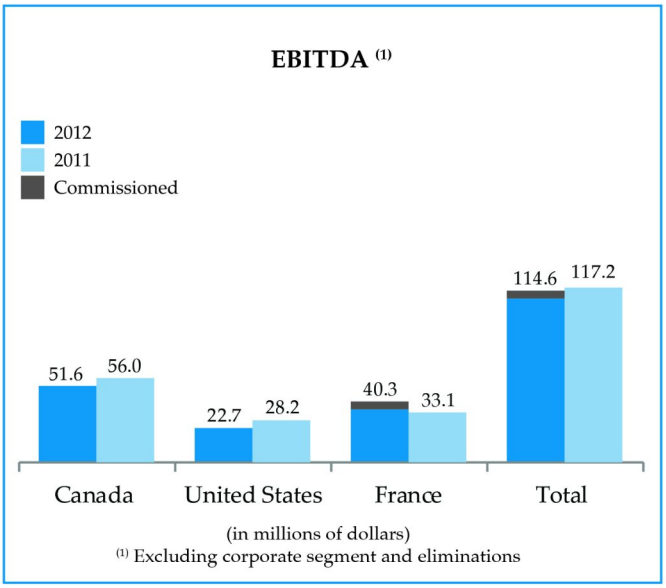
Thermal

The thermal power segment accounted for 31.1% of consolidated revenues for the year ended December 31, 2012 compared with 35.6% for the same period of 2011 owing to the shutdown of the Dolbeau power station in 2011 and the Kingsey Falls power station in 2012 as well as the agreement entered into with Hydro-Québec that resulted in only six months of power production at the Senneterre power station in 2012. The thermal power segment's share of consolidated EBITDA (before the corporate segment and eliminations) was 12.7% compared with 17.6% for the previous year. Besides the lower revenues, the decline was due to higher natural gas costs at the Kingsey Falls and Blendecques power stations on renewal of their supply contract under less favourable terms than for previous contracts. As a result, the segment's EBITDA margin fell to 25.9% in 2012 from 29.9% in 2011.

Solar

Although solar power accounts for a relatively small percentage of Boralex's energy asset portfolio at present, the new solar power station generated non-negligible EBITDA of $2.3 million on revenues of $2.7 million for its first full year of operations, representing an EBITDA margin of 85.2%, as a percentage of revenues. The solar power segment's share of Boralex's consolidated revenues and EBITDA (before the corporate segment and eliminations) stood at 1.5% and 2.0%, respectively, in 2012.





In fiscal 2012, the geographic breakdown of Boralex's revenues from energy sales, excluding discontinued operations, was as follows:

- 49.4% in Canada compared with 52.8% in 2011;
- 14.6% in the U.S. compared with 18.1% 2011 period; and
- 36.0% in France compared with 29.1% in 2011.

The smaller share of revenues generated by Canadian assets was primarily due to the closure of the Dolbeau thermal power station as of the second quarter of 2011, the shutdown of cogeneration operations at the Kingsey Falls power station on November 30, 2012 and the fact that the Senneterre thermal power station generated power for six months only in 2012 compared with twelve months in 2011.

The lower share of revenues from the U.S. was mainly caused by very low water flow conditions in the Northeastern states in the second and third quarters, and weaker conditions in the fourth quarter of 2012 compared with the previous year.

The higher weight of the European market resulted from revenue growth in the wind power segment in France, due to the addition of the St-Patrick wind power site as of June 28, 2012, and wind conditions much more favourable than in 2011, and to a lesser extent, the higher revenues generated in France as well as the full contribution by the solar power station commissioned on June 17, 2011.

Review of Operating Segments

Wind Power Stations

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

(in thousands of dollars)	Revenues from energy sales	EBITDA
YEAR ENDED DECEMBER 31, 2011	67,255	53,657
Power station commissioned	5,352	4,304
Pricing	978	978
Volume	3,667	3,667
Translation of self-sustaining subsidiaries (exchange rate effect)	(2,268)	(1,679)
Other	(330)	58
YEAR ENDED DECEMBER 31, 2012	74,654	60,985

Operating Results

The wind power segment was by far the main contributor to Boralex's results in 2012, increasing its output, revenues and EBITDA by 14.0%, 11.0% and 13.6%, respectively, and also its EBITDA margin. Performance was driven primarily by our operations in France following the acquisition of the already operating St-Patrick wind power site on June 28, 2012 and higher output at existing sites. Meanwhile, wind conditions at the Thames River site in Canada were slightly less favourable than in 2011. This balance highlights the strength of Boralex's geographic diversification in the wind power segment.

Production, Revenues and EBITDA

Electricity production for the year ended December 31, 2012 increased to 632,422 MWh from 554,581 MWh in 2011, following the St-Patrick wind power site's contribution of 34.5 MW in the second half of the year, coupled with an 11.2% increase in production at other French sites. For each of the four quarters of 2012, our French facilities benefited from better wind conditions than in the previous year, in addition to maintaining good average equipment availability. In Canada, despite maintaining very high equipment availability rates, wind conditions were less favourable at the Thames River, Ontario site than the year before, which reduced production by 2.0%.

Revenues and EBITDA

Wind power segment revenues totalled $74.7 million in 2012, up from $67.3 million in 2011. Excluding the $2.3 million unfavourable impact resulting from the euro's weakening against the Canadian dollar, revenue growth would have stood at $9.7 million or 14.4%. The inclusion of the St-Patrick site generated additional revenues of $5.4 million while higher production volume at existing sites in France added revenues of $3.7 million. Furthermore, contractual selling price indexing in France and Québec added $1.0 million to revenues. However, the non-recurrence of certain favourable items recorded in 2011 had a slightly adverse impact on the change in revenues.

Wind power segment EBITDA and EBITDA margin amounted $61.0 million and 81.7%, respectively, in 2012 compared with $53.7 million and 79.8% for the previous year. Excluding the $1.7 million unfavourable foreign exchange effect owing to a weakened euro, the French wind power sites stepped up their contribution to segment EBITDA by 31.3% with the $4.3 million contribution from the St-Patrick facility combined with increased production and higher selling prices at existing sites. The contribution of Canadian operations to segment EBITDA rose slightly, owing primarily to higher average selling prices and the maintenance of an excellent equipment availability rate.

Development Projects and Recent Events

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

Wind power projects under development in Canada are described below.

1. In 2011, Boralex and its partner Gaz Métro Limited Partnership set up the equally owned Joint Venture to build and operate phase 1 of the Seigneurie de Beaupré wind farms with an installed capacity of 272 MW, slated for commissioning in December 2013. Boralex management is proud to confirm that construction of this large-scale wind farm is on budget and schedule. The expertise and skills acquired by Boralex's team in the commissioning and operation of the Thames River wind power site in Ontario will be invaluable to the successful commissioning of the Seigneurie de Beaupré Wind Farms.

When work was stopped in mid-November 2012 for the winter season, over 110 km of the road network had been built and the foundations were near completion. To date, 53 of the 126 towers have been erected and 12 wind turbines have been installed. Work will start again at the start of spring and will be completed in fall 2013.

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

In November 2011, the Joint Venture entered into interest rate swap transactions to set a significant portion of the financing rate for its Seigneurie de Beaupré wind farm project. These financial instruments have interest rates ranging from 3.18% to 3.22%.

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

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

1. On November 8, 2012, Boralex completed the acquisition of the 32 MW La Vallée wind farm project located in the department of Indre, France. The future site, to be commissioned at the end of 2013, will consist of 16 Gamesa G90 wind turbines rated at 2 MW each. Opting for this technology will allow Boralex to expand its wind turbine operating expertise to different models. All of the power generated at the future site will be sold to EDF under 15-year contracts. The total investment will amount to approximately €43 million ($55 million). The long-term financing for an initial 26 MW tranche of the project was completed on January 24, 2013 with a French banking consortium, for an amount of €33 million ($43 million), representing approximately 77% of the total investment. The financing for the remaining 6 MW tranche should be finalized soon.
2. On June 28, 2012, Boralex closed a series of transactions totalling approximately $45 million (€34 million) with AES Corporation and InnoVent SAS ("InnoVent"), a wind farm developer. As a result, the Corporation acquired a 34.5 MW wind farm in operation - St-Patrick wind farm - in Northern France. St-Patrick wind farm was commissioned from July 2009 to February 2010 and sells its electricity to EDF under long-term contracts expiring in 2024 and 2025. At the same time, Boralex acquired from InnoVent three fully authorized wind farm projects, namely Vron, Fortel-Bonnières and St-François, with a total capacity of 56 MW to be commissioned starting at the end of 2013 and in 2014 (Vron: 8 MW in 2013 and the two remaining in 2014). Given that these projects are also located in Northern France, these new sites covered under long-term sales contracts with EDF will further strengthen Boralex's geographic diversification in all the main regions of France. Lastly, Boralex entered into a five-year agreement with InnoVent to secure options to acquire 130 MW in additional wind power projects currently under development by InnoVent.

The aforementioned acquisition transactions allowed Cube to make additional equity investments as per the partnership agreement, thereby completing its initial financial commitment ahead of its December 2012 deadline. Accordingly, and following additional funds injected by Boralex into its French subsidiary, Cube's interest in Boralex Europe S.A. currently stands at 25.33%.

Management wishes to draw attention to a potential risk, albeit very low in its opinion, regarding continuity of the current rate for purchasing electricity from onshore wind power facilities in France. As it was set by ministerial order in 2008, EDF has been obliged since then to buy power generated by onshore wind power operators at this set rate. A group opposed to wind power development has petitioned against this ministerial order in France's Council of State on the grounds that the rate set for the wind power industry constitutes a subsidy, which contravenes the prevailing rules in the European Union. In spring 2012, the Council of State suspended its proceedings pending opinion of the European Court of Justice on the issue of State aid, which could take several months. The Council of State has issued the opinion that the rate was not unreasonable under French law. This situation has created some uncertainty that could in particular prompt banks to delay their investments in new wind farm projects. Against this background, Boralex has decided to delay by several months the completion of some of its projects in France. However, management wishes to point out that an unfavourable ruling of the European Court of Justice is highly unlikely in its opinion, given the current rates in certain other European countries and the fact that no other EU member country has filed a complaint in this respect. Moreover, in January 2013, the French government, through its Minister for Ecology and Energy, made a firm commitment to guarantee legal certainty for current terms and conditions of its electricity purchasing system.

Outlook

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

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

Wind Power Projects under Development

Commissioning	2013	2013	2014	2013	2014	2014	2015	2015
Country	France	France	France	Québec	Québec	Québec	Québec	Québec
Project	La Vallée	Vron	Fortel and St-François	Seigneurie de Beaupré (phase 1)	Seigneurie de Beaupré (phase 2)	Témiscouata community project	La Côte-de-Beaupré community project	Témiscouata II
Capacity	32 MW	8 MW	48 MW	272 MW	68 MW	25 MW	25 MW	50 MW
Boralex's ownership	75%	75%	75%	50%	50%	51%	51%	100%

Over and above its 334 MW share of the contracted capacity now under development in Québec and France, Boralex currently has the financial resources to fund the equity portion of wind power projects totalling approximately 100 MW of additional capacity. Boralex's goal is to control approximately 1,000 MW of wind power capacity within five years.

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

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

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

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

Hydroelectric Power Stations

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

(in thousands of dollars)	Revenues from energy sales	Adjusted EBITDA
YEAR ENDED DECEMBER 31, 2011	56,319	41,623
Pricing	(197)	(197)
Volume	(8,912)	(8,912)
Translation of self-sustaining subsidiaries (exchange rate effect)	332	271
Other	206	727
YEAR ENDED DECEMBER 31, 2012	47,748	33,512

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

HYDROELECTRIC PRODUCTION (MWh)	2012	2011
Three-month periods ended December 31	164,072	196,522
Years ended December 31	572,513	703,612
Annual historical average (1)	626,297	621,931

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

Operating Results

Following an excellent first quarter, the hydroelectric power segment was affected by very low water flow conditions in the second and third quarters, particularly in the United States, and total production in the fourth quarter was well below the exceptionally high level in the same period of 2011, although in line with historical averages. Changes in water flow conditions in Northeastern United States were mainly responsible for declines in hydroelectric segment total output, revenues and adjusted EBITDA of 18.6%, 15.3% and 19.5%, respectively, for fiscal 2012 compared with fiscal 2011.

However, it must be noted that despite the less favourable weather conditions that dampened its results compared with 2011's excellent performance, Boralex's hydroelectric power segment continued, as it has been doing for over 20 years, to make a significant contribution to the Corporation's profitability and cash flows in 2012, in addition to maintaining a solid adjusted EBITDA margin of 70.2%.

Furthermore, geographic diversification bolstered hydroelectric power segment results in fiscal 2012 with power stations in Québec and British Columbia maintaining and improving their performance compared with the previous year, in contrast to those in the U.S., Canadian power stations accounted for approximately 45% and 42%, respectively, of the segment's total revenues and adjusted EBITDA in 2012, compared with 38% and 32% in 2011.

Production

Production for fiscal 2012 decreased to 572,513 MWh from 703,612 MWh in 2011, owing primarily to output declines at U.S. power stations of 26.4% and 13.7%, respectively, compared with previous year and historical averages. The production of Canadian power stations fell by a slight 3.4% from the 2011 level, but was in line with historical averages. On the whole, as shown in the previous table, hydroelectric power segment production was 8.6% below Boralex's historical averages for the full year.

Revenues and Adjusted EBITDA

The lower production triggered an $8.9 million shortfall in revenues and adjusted EBITDA for fiscal 2012 compared with the previous year, almost entirely attributable to the U.S. power stations. In addition, a decline in the average open-market electricity selling prices paid to the four U.S. power stations not covered by power sales contracts reduced revenues and adjusted EBITDA by $0.2 million, net of the contractual selling price indexing of other power stations. This decline was however offset by the favourable foreign exchange impact of $0.3 million on revenues and adjusted EBITDA resulting from the strengthening of the U.S. dollar against the Canadian currency. The favourable effect of other items of $0.2 million on revenues and $0.7 million on adjusted EBITDA stems mainly from the non-recurrence of certain costs incurred in 2011 by Canadian power stations and slightly higher maintenance costs.

Geographically, the Canadian power station's revenues in 2012 were comparable to 2011, while adjusted EBITDA rose 11.4%. The U.S. power stations recorded declines of 25.0% and 34.1%, respectively, in aggregate revenues and adjusted EBITDA.

Project under Development and Outlook

On October 25, 2012, Boralex completed the acquisition of a 22 MW* run-of-river hydroelectric power station project ("Jamie Creek") near Gold Bridge in British Colombia, Canada. Construction of this power station, which requires investments of approximately $60 million started in fall 2012 and will resume in spring targeting commercial commissioning in early 2014. Jamie Creek is expected to generate approximately 70,000 MWh of power annually and is covered by a 40-year power sales contract with BC Hydro that also contains a 20-year renewal option in the Corporation's favour. Boralex is in the process of finalizing long-term financing for this project.

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

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

Boralex is currently reviewing certain acquisition opportunities to grow its hydroelectric segment, particularly in Ontario and British Colombia. With over twenty years' experience in hydroelectric power, a skilled team and high quality assets, Boralex believes it is poised to make further inroads into the hydroelectric market. The Corporation has a large hydroelectric power base with good geographic distribution, attractive profit margins, and steady and predictable cash flows. The balanced profile softens the impact of weather and economic conditions, including fluctuations in open market selling prices in the United States, and U.S. and Canadian dollar exchange rate movements, on segment results.

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

Thermal Power Stations

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

(in thousands of dollars)	Revenues from energy sales	EBITDA
YEAR ENDED DECEMBER 31, 2011	68,975	20,638
Shutdown of Dolbeau power station	(3,921)	605
Shutdown of Kingsey Falls power station	(3,398)	(1,349)
Pricing	2,391	2,391
Volume	(6,157)	(3,316)
Translation of self-sustaining subsidiaries (exchange rate effect)	(1,019)	(218)
Capacity premiums	(344)	(344)
Raw material costs	—	(4,913)
Maintenance	—	(297)
Other	(172)	1,361
YEAR ENDED DECEMBER 31, 2012	56,355	14,558

Operating Results

In fiscal 2012, the thermal power segment posted declines in production, revenues and EBITDA of 34.0%, 18.3% and 29.1%, respectively. The lower production and revenues are mostly attributable to the wood-residue subsegment as a result of the agreement with Hydro-Québec under which the Senneterre power station in Québec was operated for six months only in 2012 coupled with the fact that the former Dolbeau power station in Québec was in operation in the first quarter of 2011. But, these factors had little effect on segment EBITDA. The lower EBITDA is largely attributable to the natural gas subsector, resulting mainly from higher raw material supply costs, especially for the Kingsey Falls cogeneration power station in Québec.

Production

The thermal power segment generated 310,170 MWh of electricity for the year ended December 31, 2012 compared with 469,835 MWh in 2011. Production of wood-residue power stations declined 57.8% due to scheduled shutdowns at the Senneterre power station and the permanent closure of the Dolbeau power station. Output at natural gas cogeneration power stations fell 10.0%, owing mainly to the shutdown of power production at the Kingsey Falls power station on November 30, 2012, the day its contract with Hydro-Québec expired. Also, this power station's steam production decreased by 10.6% in 2012. The Blendecques power station in France maintained power and steam production at a level comparable with 2011.

Revenues and EBITDA

Thermal power segment revenues totalled $56.4 million compared with $69.0 million in 2011. Wood-residue and natural gas power stations recorded decreases in revenues of 52.8% and 5.4%, respectively.

The $12.6 million decline in segment revenues resulted primarily from unfavourable volume effect totalling $13.8 million. This amount includes a $7.3 million revenue shortfall attributable to Dolbeau and Kingsey Falls power stations that are no longer part of Boralex's operating energy portfolio. The remaining amount of $6.5 million, representing lower revenues and capacity premiums recorded by existing power stations, relates almost entirely to the Senneterre power station. The impact of lower production on segment revenues was mitigated by a favourable price effect of $2.4 million stemming mainly from the increase in average selling prices for steam and electricity sold by the Blendecques and Kingsey Falls power stations.

The thermal segment's annual EBITDA amounted to $14.6 million in 2012 compared with $20.6 million in 2011. The $6.0 million decline is almost entirely attributable to natural gas power stations, particularly Kingsey Falls, with a decline in aggregate EBITDA of 31.1%. Besides the negative impact of $1.3 million on EBITDA resulting from the shutdown of cogeneration operations at Kingsey Falls, raw material costs at this power station rose $3.9 million following the expiry in fall 2011 of its previous natural gas supply contract which had more favourable terms than the replacement contract. The Blendecques power station recorded a $1.0 million increase in supply costs after its new purchase contract came into effect in April 2012. These higher supply costs, coupled with increases in maintenance costs of natural gas power stations and the unfavourable impact of the weaker euro was mitigated by the $2.4 million favourable impact resulting from higher average selling prices discussed previously.

The wood-residue power stations recorded a decline in their EBITDA of approximately $0.1 million. The $3.6 million unfavourable effect stemming primarily from lower production volume and capacity premiums at the Senneterre power station was almost fully offset by the provisions included in the agreement with Hydro-Québec (this amount is included under *Other*), the savings generated by the permanent closure of the Dolbeau power station and the non-recurrence of certain costs recorded in 2011.

Outlook

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

Canada

In fiscal 2013, according to the agreement entered into with Hydro-Québec, the Senneterre power station will produce electricity during six months only, as in 2012. The power station should maintain profitability at its 2012 level, given the safeguard provisions in the agreement.

The shutdown of cogeneration operations at the Kingsey Falls power station will result in a significant shortfall of approximately $10 million in thermal power segment EBITDA and Boralex's consolidated EBITDA. Although management expects this shortfall to be offset at the consolidated level by the wind power segment's expansion, the thermal power segment's contribution to the Corporation's overall performance will be further reduced. Also, as mentioned previously in this MD&A, the Corporation is in discussions with the industrial client of the Kingsey Falls power station regarding a new steam supply contract. Whatever the outcome of these discussions, Boralex's results will not be significantly impacted.

France

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

Given that the power sales contract covering the Blendecques facility is up for renewal in November 2013, Boralex has approached EDF to enter into a new power sales contract insofar as the proposed terms and conditions meet the Corporation's profitability requirements. The outcome of negotiations will determine whether the power station's facilities are shut down permanently or upgraded with more modern equipment. In the event of an upgrade, Boralex has designed a modernization project that would allow it to renew the power sales contract for an additional 12-year period. The project, which has also won support from the power station's industrial steam client, would require an investment of about €6 million. However, such an investment would be acceptable to the Corporation only if certain covenants in its contract with EDF are attenuated, particularly with regard to the selling ceiling price. Until such an agreement is finalized or rejected, Boralex's management cannot comment on the medium- and long-term prospects of this power station.

Solar Power Station

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

(in thousands of dollars)	Revenues from energy sales	EBITDA
YEAR ENDED DECEMBER 31, 2011	1,476	1,330
Power station commissioned	1,111	951
Volume	217	217
Translation of self-sustaining subsidiaries (exchange rate effect)	(134)	(123)
Other	13	(63)
YEAR ENDED DECEMBER 31, 2012	2,683	2,312

Operating Results

The Avignonet-Lauragais solar power station, in Southwestern France, generated 6,316 MWh in 2012 compared with 3,227 MWh in 2011. Commissioned in mid-June 2011, the solar power station contributed to Boralex's results for all of fiscal 2012, compared with 6.5 months in 2011. As shown in the preceding table, this additional 5.5-month period contributed additional revenue and EBITDA of $1.1 million and $1.0 million, respectively. In addition, increased productivity generated $0.2 million in organic revenue and EBITDA growth. Together, these factors readily offset the unfavourable exchange effect and rise in maintenance costs.

With an EBITDA margin of 85.2% in 2012, productivity and profitability at Boralex's first solar power station have met and exceeded management's expectations. While the facility's contribution to the Corporation's consolidated results remains marginal, Boralex's management believes that its strong performance reflects the intrinsic quality of this first solar project with regard to choice of technology, location and contractual benefits, as well as the growing expertise of Boralex's team.

Outlook

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

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

Cash Flows

(in thousands of dollars)	Years ended December 31 2012	2011
Net cash flows related to operating activities	47,396	66,131
Net cash flows related to investing activities	(75,087)	(87,418)
Net cash flows related to financing activities	(5,202)	(21,659)
Cash from discontinued operations	(3,642)	94,770
Translation adjustment on cash and cash equivalents	(1,030)	229
NET CHANGE IN CASH AND CASH EQUIVALENTS	(37,565)	52,053

Operating Activities

For fiscal 2012, Boralex reported $48.6 million or $1.29 per share in cash flows from continuing operations compared with $54.2 million or $1.44 per share for fiscal 2011. Excluding non-cash items from net earnings (loss) for both fiscal years, this decrease resulted primarily from a $2.6 million decline in cash generated by EBITDA and the receipt in 2011 of $2.1 million on disposal of the Merlin-Buxton wind power project in Ontario.

The change in non-cash items related to operating activities reflected a $0.7 million cash outflow ($11.9 million cash inflow for 2011). The cash outflow in 2012 resulted in part from a $6.3 million decrease in *Trade and other receivables*, owing in particular to a $3.5 million decline in December sales in Canada, as well as from a $6.5 million drop in *Trade and other payables* stemming primarily from a $2.1 million decrease in professional fees related to the Biomasse sale, a $2.2 million retroactive adjustment in taxes on the water rights for U.S. hydroelectric power stations and $0.7 million in payments made in the first quarter of 2012 to suppliers involved in building the solar power station in 2011.

In light of the foregoing, operating activities generated net cash flows totalling $47.4 million for fiscal 2012 compared with $66.1 million for the previous year.

Investing Activities

For fiscal 2012, investing activities resulted in cash outflows of $75.1 million, net of $22.8 million in cash inflows, detailed as follows:

- Inflows of $13.2 million from restricted cash related primarily to the development of the Seigneurie de Beaupré site;
- $8.8 million in proceeds from the sale of assets, consisting of the Dolbeau thermal power station and a non-strategic wind power project in Europe, as well as from the assets of an inoperative thermal power station in the United States; and
- The balance, $0.8 million, consisting of insurance proceeds and other sundry items.

The main investments, totalling $97.9 million in 2012, included the following:

- $63.9 million in cash to fund the following business acquisitions: the St-Patrick wind farm (in operation) and four wind power projects under development in France, as well as the Jamie Creek hydroelectric project in Canada;
- An additional capital injection of $17.7 million into the Joint Venture tasked with developing phase 1 of the Seigneurie de Beaupré wind farms;
- $10.3 million for various additions to property, plant and equipment. Of that amount, $3.9 million was spent in the hydroelectric segment, particularly for the construction recently begun on the Jamie Creek power station and an expansion in installed capacity at a Québec power station, $3.2 million in the wind power segment, primarily in France, and $0.7 million on the solar power station, with the remainder allocated to the thermal power and corporate segments;
- $3.4 million on various projects under development, consisting primarily of wind farms in Québec; and
- A $2.6 million investment in other intangible assets, mainly to implement a financial information system.

Financing Activities

In fiscal 2012, financing activities required total net cash outflows of $5.2 million. In particular, the Corporation repaid $27.7 million on existing non-current debt, of which $20.6 million pertained to its debt in France. In connection with acquisitions in France in the second and fourth quarters of 2012, Cube, Boralex's European partner, injected $22.2 million (€17.1 million) in additional capital, thereby meeting its initial financial commitment ahead of the December 2012 deadline. As a result, and due also to additional funds injected by Boralex into its French subsidiary in November 2012, Cube's interest in Boralex Europe S.A. stands at 25.33%.

Discontinued Operations

For the year ended December 31, 2012, discontinued operations required cash outflows of $3.6 million, triggered mainly by the taxes on Boralex's December 2011 transaction to dispose of its U.S. wood-residue power stations and by REC sales. In 2011, discontinued operations generated cash inflows of $94.8 million, owing mainly to the proceeds from the sale of the U.S. thermal power stations, but also to their current transactions and REC sales prior to their disposal.

Net Change in Cash and Cash Equivalents

In light of the foregoing, total cash movements for the year ended December 31, 2012 resulted in a $37.6 million decrease in cash and cash equivalents to $107.1 million as at December 31, 2012 from $144.7 million as at December 31, 2011.

TO SUM UP,

apart from maintaining significant capacity to generate cash flows from operations, cash flows for fiscal 2012 primarily reflected the use, in line with management's commitment, of a portion of proceeds from the sale of the U.S. thermal power stations in 2011 fiscal year-end to acquire operating assets and projects under development in the Corporation's key segments: wind and hydroelectric power. Under that strategy, Boralex has added about 195 MW in fully contracted wind and hydroelectric power capacity in 2012, with 35 MW already in operation in France and commercial commissioning of the remaining 160 MW to begin in 2013. This new expansion dovetails with the Corporation's vision of long-term value creation, predicated on developing an asset base that generates high profit margins along with growing and predictable cash flows. The return on this strategy adopted by Boralex back in 2009 is clearly reflected by significant and steady cash flows from operations, which are conducive to a solid cash position and sound capital structure.

Financial Position

Summary of Significant Changes

Excluding the foreign exchange rate effect, Boralex's change in financial position between December 31, 2011 and 2012 primarily reflects acquisitions in the wind and hydroelectric power segments as well the energetic pursuit of the Corporation's wind power development projects.

Assets

Boralex's total assets as at December 31, 2012 were up $53.0 million to $1,229.9 million from $1,176.9 million as at December 31, 2011.

Non-current assets rose $107.1 million due to acquisitions in the second and fourth quarters in the wind power segment in France and the hydroelectric segment in Canada, as well as to the additional investment by Boralex in the Joint Venture. Current assets fell $54.1 million on a net basis, owing primarily to the use of $50.8 million in cash and cash equivalents and restricted cash to partially fund various acquisitions for the year and Seigneurie de Beaupré project development.

Working Capital

As at December 31, 2012, the Corporation had a working capital deficit of $5.4 million with a ratio of 0.97:1 compared with positive working capital of $120.0 million and a ratio of 2.18:1 as at December 31, 2011. Excluding the use of a significant portion of cash and cash equivalents and restricted cash for the above-mentioned purposes, the decline in working capital resulted from the reclassification of a $72.0 million U.S. note to the *Current portion of debt* in light of its August 2013 maturity. If the reclassification had not occurred, working capital would have totalled $66.6 million with a ratio of 1.66:1. The Corporation is currently in talks with various lenders to replace the note with new long-term facilities in an amount equal to or greater than the current balance, and does foresee any difficulties regarding the outcome of that undertaking.

Total Debt and Equity

As at December 31, 2012, the Corporation's total debt, consisting of non-current debt and the current portion of debt, and the liability component of convertible debentures, amounted to $748.5 million compared with $729.5 million as at December 31, 2011. The increase resulted from new debt contracted in conjunction with the June 28, 2012 acquisitions in France, net of repayments made on the existing debts in fiscal 2012. Breaking down the Corporation's non-current debt as at December 31, 2012 geographically, 44% was in France, 14% in the United States and 42% in Canada, compared with 40%, 15% and 45%, respectively, as at December 31, 2011.

Net debt, as defined under *Non-IFRS Measures*, amounted to $422.3 million as at December 31, 2012 compared with $369.8 million as at December 31, 2011. Total equity rose $13.5 million to $342.4 million as at December 31, 2012 from $328.9 million a year earlier. The unfavourable change in *Accumulated other comprehensive income* was largely offset by additional capital subscriptions received from Cube, the Corporation's European partner, in June and December 2012, in conjunction with the acquisitions carried out in the wind power segment in France.

As a result, the net debt ratio, as defined under *Non-IFRS Measures*, rose to 42.1% as at December 31, 2012 from 39.8% one year ago.

The $10.4 million increase in *Other non-current financial liabilities* reflects the change in fair value of the Corporation's financial instruments.

Information about the Corporation's Equity Instruments

As at December 31, 2012, Boralex's capital stock consisted of 37,734,895 Class A shares issued and outstanding (37,726,427 as at December 31, 2011) while stock options outstanding numbered 1,978,023, of which 1,126,335 were exercisable. In fiscal 2012, 9,368 shares were issued in connection with the conversions of 1,171 debentures, and 900 shares were repurchased under the public issuer bid which ended on November 7, 2012. As at December 31, 2012, Boralex had 2,447,487 issued and outstanding convertible debentures (2,448,658 as at December 31, 2011).

From January 1, 2013 to March 8, 2013, no new shares were issued on exercise of stock options and 208 new shares were issued in connection with debenture conversions.

Related Party Transactions

The Corporation has entered into a management agreement with an entity controlled by Bernard Lemaire, one of Boralex's directors and officers, and his family. For the year ended December 31, 2012, revenues from this agreement totalled $0.6 million ($0.6 million for 2011).

The Kingsey Falls natural gas thermal power station has a steam sales contract with Cascades, a company with significant influence over the Corporation. For the year ended December 31, 2012, revenues from Cascades amounted to $17.8 million ($18.6 million for 2011). This contract expired on November 30, 2012.

Cascades provides the Corporation with various IT, engineering, transportation, maintenance and building repair services. For the year ended December 31, 2012, those services amounted to $0.8 million ($0.6 million in 2011).

Transactions with the Joint Venture

In June 2011, in connection with phase 1 of the Seigneurie de Beaupré wind farms, the Corporation entered into a partnership agreement with a subsidiary of Gaz Métro Limited Partnership and created the Joint Venture in which each party owns a 50% interest. For the year ended December 31, 2012, the Corporation's share in the earnings of the Joint Venture represented a $0.1 million pre-tax gain. In addition, Boralex charged back $1.8 million in salaries and other costs to the Joint Venture in connection with construction of the wind farm.

Outlook and Development Objectives

2013-2016 Outlook

For fiscal 2013, Boralex's management expects to maintain strong operating profitability due to the full-year contribution of the St-Patrick wind power station, compared with six months in 2012, and the commercial commissioning, late in 2013, of new energy assets in which Boralex's net share will total nearly 200 MW.

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

Above all, fiscal 2013 will be a year of transition into superior growth and profitability. In 2014, the Corporation will benefit from the full contribution of assets commissioned in 2013, in particular phase 1 of the Seigneurie de Beaupré wind farms, in addition to commissioning other projects in Québec and France in which Boralex's net share will total 117 MW. Fiscal 2015 will mark the commissioning of other projects currently under development by the Corporation, representing the net addition of 63 MW to Boralex's wholly owned assets. To support execution of its various development projects, Boralex has a solid statement of financial position, including a cash position of $112.2 million as at December 31, 2012.

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

Development Objectives and Competitive Strengths

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

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

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

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

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

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

TO SUM UP,

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

Financial Instruments

Foreign Exchange Risk

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

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

Price Risk

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

As at December 31, 2012, our power stations in France and Canada, as well as those in Middle Falls, Hudson Falls and South Glens Falls, have long-term power sales contracts, the vast majority of which are subject to partial or full indexation clauses tied to inflation. Consequently, only 4% of Boralex's installed capacity is exposed to price risk.

Interest Rate Risk

As at December 31, 2012, approximately 40% of non-current debt issued bears interest at variable rates. A sharp increase in interest rates in the future could affect the liquid assets available for the Corporation's development projects. However, since the Corporation uses interest rate swaps, its exposure to interest rate fluctuations is reduced to only 3% of total debt. As at December 31, 2012, the swaps had a notional balance of $316.1 million (€145.7 million and $125.0 million) while they had an unfavourable fair value of $50.2 million (€24.7 million and $25.5 million).

The Corporation does not plan to sell these instruments, since they were entered into to reduce the Corporation's risk related to interest rate fluctuations, and fully intends to make every reasonable effort to protect the anticipated return on those projects. As a result, the fact that fair value is unfavourable only indicates that forward interest rates have fallen and has no bearing on the effectiveness of the instrument as part of the Corporation's risk management strategy.

All of these contracts qualify for hedge accounting.

Commitments and Contingencies

(in millions of $)	Current portion	1 to 5 years	Over 5 years	Total
Non-current debt	127.8	241.6	368.6	738.0
Purchase and maintenance contracts	5.5	17.9	41.2	64.6
Construction contracts	71.2	—	—	71.2
Operating leases on property	2.0	11.6	33.2	46.8
Joint Venture	188.3	14.2	39.1	241.6
TOTAL	394.8	285.3	482.1	1,162.2

Energy Sales Contracts

(a) In the United States, under a long-term contract expiring in 2027, the Corporation is committed to selling 100% of the power output of its Middle Falls hydroelectric power station. This contract provides for annual indexation on the total price through to 2013. As of January 1, 2014, a price equal to 90% of the market price is stipulated in the contract, which will apply downward pressure on the power selling price. This decline will be offset by the decrease in lease payments to 30% of gross revenues as of January 1, 2014.

For the Hudson Falls and South Glens Falls hydroelectric power stations in the United States, the Corporation is committed to sell the electricity it generates under long-term contracts expiring in 2034 and 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
2013 - 2017	85.45 – 80.58	87.04 – 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 2015 and 2030. These contracts provide for annual indexation based on the Consumer Price Index ("CPI"). However, under long-term contracts for the power stations in Québec (except for the Forces Motrices St-François power station, which is indexed at annual fixed rate), the indexation rate on the total price should not be lower than 3% or higher than 6%.

(c) For the wind power stations and the solar power facility in France, the Corporation is committed to selling 100% of its power output under long-term contracts maturing between 2017 and 2031. The contracts provide for annual indexation of the total price based on changes in hourly labour costs and industry activity levels.

(d) Steam production from Blendecques (France) is sold under a long-term contract expiring in 2022.

(e) In 2008, the Corporation entered into a power sales contract with Hydro-Québec for a capacity of 68 MW for the third Seigneurie de Beaupré wind farm. The Corporation is cooperating with a subsidiary of Gaz Métro L.P. for this project and each partner owns a 50% interest. The contract has a 20-year term, commencing from commissioning of the wind farm. The contract provides for partial (20%) annual CPI indexing of the selling price.

(f) On May 24, 2011, the Corporation signed two power sales contracts with Hydro-Québec for a total output of 50 MW for the two community wind farm projects developed jointly with two Québec Regional County Municipalities: Témiscouata RCM and La Côte-de-Beaupré RCM. These power sales contracts have 20-year terms, which will begin when the wind farms are commissioned, and will be annually indexed over 20% of the selling price.

(g) Each of the three wind power projects under development in France with a 56 MW capacity acquired at the time of the June 28, 2012 business combination is covered by a 15-year power sales contract. These contracts begin when the wind farms are commissioned and the selling price will be indexed annually on the total price.

(h) The La Vallée wind power project in France with a 32 MW capacity acquired on November 8, 2012 is covered by 15-year power sales contracts held by the Corporation. These contracts begin when the wind farms are commissioned and the selling price will be indexed annually over the total price.

(i) The Jamie Creek wind power project in British Columbia with a 22 MW capacity acquired on October 25, 2012 is covered by a fixed-price 40-year power sales contract, including a 20-year renewal option. The contract begins when the power station is commissioned.

Purchase and Maintenance Contracts

(j) With respect to the wind power projects in France and in Canada, the Corporation has entered into maintenance contracts, including several turnkey agreements with suppliers such as Enercon, GE, Qcells, Gamesa, Nordex and Siemens. The contracts have initial periods of 5-15 years, requiring expenditures totalling $63.5 million, of which approximately $4.4 million is payable in 2013.

(k) The Corporation has entered into equipment purchase agreements in connection with wind power projects in Québec and the solar power station in France. Net commitment cost totals $1.1 million (€0.4 million, US$0.1 million and $0.4 million). The majority of expenditures will fall in fiscal 2013.

Construction Contracts

(l) For the wind power projects under development in France with a 56 MW capacity acquired at the time of the June 28, 2012 business combination, the Corporation has entered into construction and wind turbine installation contracts. Expenditures will be made according to the percentage of completion. As at December 31, 2012, the Corporation had net commitments of $15.8 million (€12.0 million).

(m) For the Jamie Creek hydroelectric project in British Columbia with a 22 MW capacity acquired on October 25, 2012, the Corporation has entered into contracts for the construction and installation of the hydroelectric power station. Expenditures will be made according to the percentage of completion. As at December 31, 2012, the Corporation had net commitments of $20.3 million.

(n) For the La Vallée wind power project in France with a 26 MW capacity acquired on November 8, 2012, the Corporation has entered into contracts for construction and installation of wind turbines. Expenditures will be made according to the percentage of completion. As at December 31, 2012, the Corporation had net commitments of $35.1 million (€26.8 million).

Operating Leases on Property

(o) To operate the Middle Falls power station in the United States, the Corporation leases the land on which the Niagara Mohawk Power Corporation (“NMPC”) power station is located under a lease expiring in 2027. In 2012 and 2011, Corporation paid $0.4 million (US$0.4 million) in lease payments, which will be indexed by 3% in 2013. From 2014 onwards, lease payments will be variable, totalling 30% of the power station's gross revenue.

(p) For the Thames River Project, the Corporation leases land on which wind turbines are installed under 27 lease agreements with 20-year terms, renewable once only at the Corporation's option for the same lease terms. The total lease amount under all these agreements is estimated at approximately $0.7 million.

(q) The land on which the wind power stations and the solar power facility are located in France is leased under emphyteutic leases over terms of 28-99 years. Payments under these leases are due annually and are indexed each year, based on the Consumer Price Index and the Construction Cost Index published by the National Institute of Statistics and Economic Studies ("INSEE") and represent an annual commitment of $0.1 million (€0.8 million).

(r) The Corporation leases the sites on which six hydroelectric power stations are located in Canada, as well as the water rights required to operate them. Under the terms of these agreements, expiring from 2015 to 2020, the Corporation's lease payments are based on power generation levels.

The land on which the Corporation's U.S. Hudson Falls and South Glens Falls hydroelectric facilities are located is leaded from NMPC. The lease agreements terminate at the end of the power sales contracts with NMPC. Rental 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 lease payments 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 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 lease payments for South Glens Falls, as of December 31, 2012 are as follows:

Current portion	0.3
1 to 5 years	2.8
Over 5 years	7.7
Total	10.8

Other

(s) On August 25, 2011, Boralex obtained two amended building permits for the expansion of the Avignonet-Lauragais site comprising two wind turbines. These permits have been on appeal since October 12, 2011. This decision does not jeopardize the power sales contract with EDF or operation of the expansion. Furthermore, this situation does not place Boralex in default under any credit agreement.

(t) Hydroelectric power stations in Québec are subject to the *Dam Safety Act* and the regulations thereunder, 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 the Act is expected to be phased in. Once the Corporation's recommendations are accepted by the *Ministère du Développement durable, de l'Environnement, de la Faune et des Parcs*, an action plan will be prepared reflecting the relative urgency of the work required. The St-Lambert power station is in compliance with the Act as at December 31, 2012 but is not affected as it is located on the St. Lawrence Seaway, which is not subject to this legislation. With regard to the facilities at those power stations, excluding Buckingham, the Corporation expects that investments of $0.3 million will be required to comply with the Act.

With regards to the Buckingham facility, during fiscal 2013, Boralex expects to commence work, estimated at $18 million, in order to comply with this Act. Concurrently with this work, management is still reviewing various investment scenarios aiming to increase the power station's current installed capacity by up to 10 MW.

(u) Following the motion filed on August 30, 2010 and the subsequent ruling of October 28, 2010, O'Leary Funds Management L.P. et al. filed an amended motion with the Superior Court of Québec on January 11, 2011. This motion challenges the legality of the November 1, 2010 business combination between Boralex and the Fund and, consequently, claims damages of nearly $14 million. The Corporation considers that this procedure has no basis in fact or in law and is defending itself vigorously. Therefore, the Corporation has not recorded any provision in respect of this litigation. Moreover, the Corporation filed its defence on September 12, 2011, including a counterclaim of nearly $1 million.

(v) Subsequent to the December 20, 1996 motion against one of the Corporation's subsidiaries for charges claimed under Section 68 of the *Watercourses Act*, as a holder of hydraulic power, the claim by Attorney General of Québec amounts to $3.2 million. The Corporation has begun negotiations to settle the dispute and believes a settlement can be reached in the following year. In light of the foregoing, the Corporation has recorded a provision of $1 million to cover this dispute as at December 31, 2012 as a result of the amounts that the Corporation expects to recover under its lease.

Joint Venture

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

Sales Contracts

Under power sales contracts entered into with Hydro-Québec in 2008 for 272 MW of electricity generated by the Seigneurie de Beaupré 2 and 3 wind farm, the Joint Venture undertook to sell its total electricity output (subject to certain minimum thresholds). These 20-year contracts are effective as of the commissioning of the wind farms. A number of these contracts provide for annual indexation based on the Consumer Price Index ("CPI").

Service Agreement

Under the terms of a service contract entered into in 2008, the Corporation undertook to operate the wind farms of the Joint Venture. The Corporation is in charge of operating, maintaining and administering the sites. The contract has a 21-year term, which begins one year prior to the commissioning date, that is, since December 2012. The amounts payable under this agreement are limited to operating and maintenance expenses and include fixed and variable management fees. Fixed management fees are indexed annually based on the CPI. As at December 31, 2012, the Corporation's share in the net commitments of the Joint Venture amounted to $11.8 million.

Construction Contracts

In June 2011, the Joint Venture entered into a contract to build and install wind turbines on private land of the Séminaire de Québec. Expenditures are made according to the percentage of completion. In the event of cancellation of the current agreement by the Joint Venture, the Joint Venture must, in addition to the costs of work already carried out, compensate the contractor for any loss of unrealized profit on work not carried out. As at December 31, 2012, the Corporation's share in the net commitments of the Joint Venture was $183.9 million, consisting of €74.8 million and $85.8 million.

In August 2011, the Joint Venture entered into a contract for the construction of the roads, the crane pads and the electrical network of the wind farm project. Expenditures are made according to the percentage of completion. Also, the Joint Venture entered into a contract for the construction of the wind farm project's transformer station. Expenditures are made according to the percentage of completion. As at December 31, 2012, the Corporation's share in the net commitments of the Joint Venture was $3.9 million.

In December 2011, the Joint Venture entered into an agreement for the construction of the wind farm project's telecommunications network. Expenditures are made according to the percentage of completion. As at December 31, 2012, the Corporation's share in the net commitments of the Joint Venture was $0.03 million.

Maintenance Contract

In August 2011, the Joint Venture entered into a 15-year wind turbine maintenance agreement that will be effective as of project commissioning slated for December 2013. The contract includes a cancellation option at the Joint Venture's discretion after seven years. Outlays under the contract will be made one year after the commissioning date and depend, in particular, on the power output of the wind turbines. As at December 31, 2012, the Corporation's share in the net commitments of the Joint Venture was $24.4 million for the next six years.

Land Lease Contracts

In June 2011, the Joint Venture entered into a land lease contract maturing in 2033, renewable each year at the lessee's option. The land on which wind turbines will be installed is leased for an annual amount of approximately $0.04 million until commissioning slated for December 2013, and thereafter for an annual amount of approximately $1.5 million, indexed annually at a rate of 1.5%. As at December 31, 2012, the Corporation's share in the net commitments of the Joint Venture was $17.5 million.

Letters of Credit

As at December 31, 2012, the Corporation's share of the letters of credit issued by the Joint Venture amounted to $27.9 million.

Financing

On November 8, 2011, the Corporation finalized financing for construction work on the first two wind farms. The amount of the financing, secured by the project's assets without recourse against the partners, consists of a $560 million two-year construction loan, which will convert into a term loan repayable over an 18-year amortization period once commercial operations commence in December 2013. A tranche of $260 million the financing is covered by a guarantee pledged in favour of the lenders by the Federal Republic of Germany through Euler-Hermes, its export credit agency. With this financing and the equity injected on or before the financing closing date, the first phase of the wind farms is entirely funded.

In addition to the $560 million in long-term financing, current loans, including bridge financing and letter of credit facilities, totalling $165 million, have been contracted for purposes of financing certain costs incurred during construction that are repayable by Hydro-Québec and issuing various letters of credit, increasing the total amount of financing to $725 million.

After the financing closing date, the Joint Venture entered into interest rate swap transactions to set the financing rate for a significant portion of the project over the expected term of the underlying financing. The transactions have a total nominal amount of $551.7 million and rates ranging from 3.18% to 3.22%.

Risk Factors and Uncertainties

Risk Factors

Seasonal Factors

By the nature of its business, the Corporation's earnings are sensitive to variations in weather conditions 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. This fluctuation in demand translates into spot market price volatility, which affects approximately 17% of the Corporation's installed capacity in the Northeastern United States where it operates hydroelectric facilities.

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 availability will remain unchanged or that no material hydrologic event will impact water conditions in a particular watershed. Annual deviations from the long-term average are sometimes significant.

Wind and Sunlight

Wind and sunlight are naturally variable. Therefore, the quantity of power production from a wind or solar power station will also be variable. A reduced or increased amount of wind or sunlight at a power station over an extended period causes variations 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, which represents 10% of the installed capacity as at December 31, 2012, 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. 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 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

The Corporation participates in the construction and development of new power stations. Delays and cost overruns may occur in the course of project construction. 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. Defaulting on such financing obligation could forfeit the Corporation's interest in a power station.

Dam Safety

Hydroelectric power stations in Québec, which represented 11% of installed capacity as at December 31, 2012, 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. Generally speaking, once the Corporation's recommendations are accepted by the *Ministère du Développement durable, de l'Environnement, de la Faune et des Parcs*, an action plan is 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 outlook.

Power Sales Agreements

Obtaining new power sales agreements is a key component for the sustainability of the Corporation's profits and cash resources. 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 under equivalent terms and conditions on the expiry.

Key Employees

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

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 assets 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.

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 risk that a counterparty will fail to discharge its contractual obligations and are limited to those contracts where replacing the defaulted transaction would cause a loss for the Corporation. The Corporation minimizes credit risk with counterparties to financial instruments and physical electricity and gas trades through the selection, monitoring and diversification of counterparties by regularly assessing credit risk exposure and changes in their financial position, use of standard trading contracts, collateral and other credit risk mitigation techniques.

Further, the Corporation's power sales agreements are almost exclusively with clients with longstanding credit histories or investment grade ratings. Where a client does not have a public credit rating, the Corporation assesses risk exposure 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 competes 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, which may adversely affect implementation of its long-term vision.

Debts

Since the Corporation's projects require significant capital, it uses a project-based financing approach to maximize its leverage and generally the debt term according to contract term. 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 carries non-current debt bearing interest at variable rates. In light of the financial swaps, only 3% of the non-current debt securities issued at December 31, 2012 bore interest at variable rates. A sharp increase in interest rates in the future could affect the liquid assets available to fund 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 build new power stations or maintain its existing power stations and remain in business would be impaired. There can be no assurance that additional financing would be obtained or obtained under reasonable terms and conditions. If financing were to be obtained by issuing additional Class A shares of the Corporation, investors could 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. 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 37% of installed capacity is located in Canada, while 18% is located in the United States and 45% 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 and/or disposes of its total investment in the country concerned.

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, licences, 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 licences, permits and other approvals will remain material to the Corporation's business.

Regulatory and Political Environment

Nearly 63% of the Corporation's operations by installed capacity are located in France and the United States 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 can be 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 such factors is unpredictable.

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 in government policies and laws, including income tax, tax on capital and municipal tax rates.

Currently unregulated operations may become regulated. 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 statutory discretion. 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 such requirements or their effect on operations. The failure of the Corporation to obtain or maintain all necessary licences, leases or permits, including renewals thereof or modifications thereto, may adversely affect its ability to generate revenues.

The Corporation holds permits and licences from various regulatory authorities for the construction and operation of its power stations. These licences and permits are critical to the Corporation's operations. The majority of these permits and licences are long term in nature, reflecting the anticipated useful life of the facilities. These permits and licences 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.

In France, a group opposed to wind power development has petitioned regulators to dispute the 2008 ministerial order requiring EDF to purchase energy produced by land-based wind power producers at a set rate. While this situation is currently generating some uncertainty in the industry, Boralex's management deems an unfavourable outcome for French wind power producers to be unlikely. For more information on this matter, see *Review of Operating Segments/Wind Power Stations/Development Projects and Recent Events*.

The Hudson Falls hydroelectric power station 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 expire, this power station's production could be reduced by approximately 16,000 MWh.

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 outstanding claims with merit. 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 proceedings 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 areas of operation.

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

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

The following items require management to make the most critical estimates and judgments:

Impairment of Assets

Every year, on October 31, the Corporation tests its CGUs for impairment with respect to intangible assets with indefinite useful lives and goodwill. Also, at each reporting date, if any evidence of impairment exists, the Corporation must perform impairment tests on its assets with indefinite and finite useful lives and their goodwill to assess whether their carrying amounts are recoverable. Impairment tests require the use of various assumptions based on management's best estimates.

Recoverable Amount

Recoverable amounts are determined using value-in-use calculations based on discounted cash flows that factor in current economic conditions and management's estimates. Expected future cash flows are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, including market and production estimates, together with economic factors such as selling prices, production cost estimates, future capital expenditure, after-tax discount rates, the growth rate and useful lives.

Discount Rate

The discount rate estimated and used by management represents the weighted average cost of capital determined for a group of CGUs. The growth rate is determined based on past experience, economic trends as well as market and industry trends. Management believes that such assumptions are reasonable.

Useful Lives of Property, Plant and Equipment and Intangible Assets with Finite Useful Lives

In determining the useful lives of property, plant and equipment and intangible assets with finite useful lives, management takes into account estimates of the expected use period of the asset. Such estimates are reviewed annually and the impacts of any changes are accounted for prospectively.

Deferred Taxes

Management is required to estimate the amounts to be recognized as deferred income tax assets and liabilities. In particular, management must assess the timing of the reversal of temporary differences to which future income tax rates are applied Further, the amount of deferred tax assets, which is limited to the amount that is considered likely to be realized, is estimated by taking into account future taxable income.

Decommissioning Liability

Future remediation costs, whether required under contract or by law, are recognized based on management's best estimates. These estimates are calculated at the end of each period taking into account expected undiscounted outflows for each asset in question. Estimates depend on labour costs, efficiency of site restoration and remediation measures, inflation rates and pre-tax interest rates that reflect current market conditions or the time value of money, as well as risks specific to the liability. Management also estimates the timing of expenses, which may change depending on the type of continuing operations. Expected future costs are inherently uncertain and could materially change over time. Given current knowledge, it is reasonably possible that, in upcoming fiscal years, actual costs could differ from the assumptions, requiring significant adjustments to the related liability's carrying amount.

Fair Value of Financial Instruments

Derivative financial instruments designated as cash flow hedges are accounted for at fair value in the statement of financial position and changes in fair value are reported in comprehensive loss.

Fair value is determined using discounted cash flow models. Fair value determined using such valuation models requires the use of assumptions concerning the amount and timing of estimated future cash flows, as well as for numerous other variables. These assumptions are determined using external, readily observable market inputs. Since they are based on estimates, fair values may not be realized in an actual sale or immediate settlement of the instruments.

Evidence of Asset Impairment

At each reporting date, management is required to use its judgment to assess whether there is any evidence that property, plant and equipment and intangible assets may be impaired. If applicable, the Corporation performs impairment tests on its CGUs to assess whether the carrying amounts of assets are recoverable. As described in the previous section, various estimates made by management are used in the impairment tests.

Management is required to exercise judgment in order to assess whether any events or changes in circumstances could have affected the recoverability of the carrying amount of assets. In making these assessments, management uses various indicators including, but not limited to, adverse changes in the industry or economic conditions, changes in the degree or method of use of the asset, a lower-than-expected economic performance of the asset or a significant change in market returns or interest rates.

Changes in Accounting Policies

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

In December 2011, the IASB issued a revised version of IFRS 7, *Financial Instruments: Disclosures*, to include requirements to disclose data on a gross and net settlement basis for financial instruments that qualify for offset in the statement of financial position and financial instruments subject to master netting arrangements. The revised IFRS 7 will be effective for the fiscal years of the Corporation beginning on or after January 1, 2013, with earlier adoption permitted. The Corporation adopted this new standard as at January 1, 2012 and this change had no impact on the Corporation's financial statements.

IFRS 10, *Consolidated Financial Statements*

New IFRS 10 standard provides additional guidance to assist in the determination of control where it is difficult to assess. The Corporation adopted this new standard as at January 1, 2012 and this change had no impact on the Corporation's financial statements.

IFRS 11, *Joint Arrangements*

New IFRS 11 focuses on the contractual rights and obligations resulting from the joint arrangement rather than its legal form. The standard addresses inconsistencies in the reporting of joint arrangements by requiring the equity method to account for interests in jointly controlled entities. The Corporation currently uses the equity method to account for its interest in the Joint Venture. Under this method, the share of net assets, net earnings (loss) and *Other comprehensive loss* of the Joint Venture is reported on separate lines in the statements of financial position, earnings and comprehensive loss, respectively. The Corporation adopted this new standard as at January 1, 2012 and this change had no impact on the Corporation's financial statements since the Corporation was already using the equity method to account for its investment.

IAS 28, *Investments in Associates and Joint Ventures* (Revised 2011)

IAS 28 has been revised to incorporate changes introduced by the issuance of IFRS 10 and IFRS 11, including the new requirement for joint ventures to be accounted for using the equity method. The Corporation adopted this new standard as at January 1, 2012 and this change had no impact on the Corporation's financial statements.

IFRS 12, *Disclosure of Interests in Other Entities*

IFRS 12 is a new standard that requires disclosures on all interests in the following entities: subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard requires an entity to disclose information regarding the nature and risks associated with its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. The Corporation adopted this new standard as at January 1, 2012 and this change only affected the level of disclosure in the financial statements of the Corporation regarding the interest in the Joint Venture and the share of non-controlling shareholders.

IFRS 13, *Fair Value Measurement*

New IFRS 13 does not change the requirements of the other standards that specify the circumstances in which an item is calculated at fair value. This standard clarifies the application of the concept when fair value measurement is required or authorized by IFRS. IFRS 13 provides a unique source of reference for all fair value measurements and improves disclosure requirements for use across IFRS. The Corporation adopted this new standard as at January 1, 2012 and this change only affected the level of disclosure regarding assets and liabilities at fair value reported in the note on financial instruments in the financial statements of the Corporation.

IAS 1, *Presentation of Financial Statements* (Revised 2011)

This amended standard requires that comprehensive income (loss) be classified by nature: items that will not be subsequently reclassified to net earnings (loss) and items that will be reclassified subsequently to net earnings (loss) when specific conditions are met. IAS 1 will be effective for the fiscal years of the Corporation beginning on or after July 1, 2012, with earlier adoption permitted. The Corporation adopted this new standard as at January 1, 2012 and this change only affected the presentation of the Corporation's consolidated statements of comprehensive loss.

Future Changes in Accounting Policies

IFRS 9, *Financial Instruments*

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

In October 2010, the IASB amended this standard to provide guidelines on the classification and measurement of financial liabilities. Companies that elect to measure their debt at fair value must recognize changes in fair value resulting from changes to their own credit risk through *Other comprehensive loss* instead of the statement of earnings (loss). This standard is required to be applied for accounting periods beginning on or after January 1, 2015, with earlier adoption permitted. The Corporation has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

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

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

Internal Controls and Procedures

In accordance with *Regulation 52-109 respecting 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 annual reports is accumulated and communicated to management on a timely basis, including the Chief Executive Officer and the Chief Financial Officer, so that appropriate decisions can be made regarding disclosure. Internal control over financial reporting has also been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS.

The Chief Executive Officer and the Chief Financial Officer have evaluated the effectiveness of Boralex's disclosure controls and procedures as of December 31, 2012, as well as the effectiveness of Boralex's internal control over financial reporting as of the same date and have concluded that they are adequate and effective.

During the year ended December 31, 2012, no changes were made to internal control over financial reporting or disclosure controls and procedures that have materially affected, or are reasonably likely to materially affect, internal controls and procedures.

Consolidated Financial Statements

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 audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), 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 audited 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 audits 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 8, 2013

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 statements of financial position as at December 31, 2012 and 2011 and the consolidated statements of earnings (loss), comprehensive loss, changes in equity and cash flows for the years then ended, and related notes which comprise a summary of significant accounting policies and explanatory information.

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 International Financial Reporting Standards ("IFRS"), 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 audits 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, 2012 and 2011, and of their financial performance and their cash flows for the years then ended, in accordance with IFRS.

(s) PricewaterhouseCoopers LLP [1]

Montréal, Canada
March 8, 2013

[1] FCPA auditor, FCA, public accountancy permit No. A108517

Consolidated Statements of Financial Position

(in thousands of Canadian dollars)	Note	As at December 31, 2012	As at December 31, 2011
ASSETS			
Cash and cash equivalents		107,138	144,703
Restricted cash		5,063	18,288
Trade and other receivables	6	45,589	50,500
Inventories	7	4,404	3,573
Available-for-sale financial asset		3,009	2,208
Prepaid expenses		2,137	2,137
CURRENT ASSETS		167,340	221,409
Property, plant and equipment	8	689,024	643,047
Other intangible assets	9	253,115	214,834
Goodwill	9	48,663	38,063
Interest in the Joint Venture	10	58,994	45,266
Other non-current assets	11	12,735	14,236
NON-CURRENT ASSETS		1,062,531	955,446
TOTAL ASSETS		1,229,871	1,176,855
LIABILITIES			
Trade and other payables	12	46,945	34,209
Current portion of debt	13	98,570	26,659
Current income tax liability		1,741	10,776
Other current financial liabilities	27	25,508	29,757
CURRENT LIABILITIES		172,764	101,401
Non-current debt	13	423,616	479,525
Convertible debentures	14	226,299	223,347
Deferred income tax liability	15	29,514	26,031
Other non-current financial liabilities	27	24,698	14,273
Other non-current liabilities		10,611	3,400
NON-CURRENT LIABILITIES		714,738	746,576
TOTAL LIABILITIES		887,502	847,977
EQUITY			
Equity attributable to shareholders		319,868	321,764
Non-controlling shareholders	19	22,501	7,114
TOTAL EQUITY		342,369	328,878
TOTAL LIABILITIES AND EQUITY		1,229,871	1,176,855

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

The Board of Directors approved these audited annual consolidated financial statements on March 8, 2013.

(s) Robert F. Hall

Robert F. Hall, Director

(s) Pierre Seccareccia

Pierre Seccareccia, Director

Consolidated Statements of Earnings (Loss)

(in thousands of Canadian dollars, except per share amounts)	Note	2012	2011
REVENUES			
Revenues from energy sales		181,440	194,025
Other income		2,853	680
		184,293	194,705
COSTS AND OTHER EXPENSES			
Operating expenses	20, 21	66,281	75,423
Administrative	20	16,186	14,853
Development		3,520	3,523
Amortization		58,030	57,833
Other losses (gains)	22	971	(2,959)
Impairment of property, plant and equipment and intangible assets	8	823	1,503
		145,811	150,176
OPERATING INCOME		38,482	44,529
Financing costs	23	49,279	49,664
Foreign exchange loss (gain)		26	(961)
Net loss on financial instruments		396	972
LOSS BEFORE THE FOLLOWING ITEMS		(11,219)	(5,146)
Share in loss (earnings) of the Joint Venture	10	(51)	150
Income tax recovery	15	(2,183)	(2,311)
NET LOSS FROM CONTINUING OPERATIONS		(8,985)	(2,985)
Net earnings from discontinued operations	24	3,721	5,489
NET EARNINGS (LOSS)		(5,264)	2,504
NET EARNINGS (LOSS) ATTRIBUTABLE TO:			
Shareholders of Boralex		(5,115)	2,883
Non-controlling shareholders		(149)	(379)
NET EARNINGS (LOSS)		(5,264)	2,504
NET EARNINGS (LOSS) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX:			
Continuing operations		(8,836)	(2,606)
Discontinued operations		3,721	5,489
		(5,115)	2,883
NET EARNINGS (LOSS) PER SHARE (BASIC AND DILUTED) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX:			
Continuing operations		($0.24)	($0.07)
Discontinued operations		$0.10	$0.15
	25	($0.14)	$0.08

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

Statements of Comprehensive Loss

(in thousands of Canadian dollars)	Note	2012	2011
NET EARNINGS (LOSS)		(5,264)	2,504
Other comprehensive income (loss) to be subsequently reclassified to net earnings (loss) when certain conditions are met	18		
Translation adjustments:			
Unrealized foreign exchange gain (loss) on translation of financial statements of self-sustaining foreign operations		(1,352)	4,058
Cash flow hedges:			
Change in fair value of financial instruments		(16,931)	(53,010)
Hedging items realized and recognized in net earnings		14,526	6,040
Hedging items realized and recognized in statement of financial position		—	198
Taxes		1,109	13,405
Cash flow hedges - Joint Venture:			
Change in fair value of financial instruments		(4,088)	(13,461)
Taxes		1,087	3,579
Available-for-sale financial asset:			
Change in fair value of an available-for-sale financial asset		(48)	(278)
Items realized and recognized in net earnings (loss)		968	(624)
Discontinued operations		—	(2,021)
Total other comprehensive loss		(4,729)	(42,114)
COMPREHENSIVE LOSS		(9,993)	(39,610)
COMPREHENSIVE LOSS ATTRIBUTABLE TO:			
Shareholders of Boralex		(9,131)	(38,392)
Non-controlling shareholders		(862)	(1,218)
COMPREHENSIVE LOSS		(9,993)	(39,610)
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX:			
Continuing operations		(12,852)	(41,860)
Discontinued operations		3,721	3,468
		(9,131)	(38,392)

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

Consolidated Statements of Changes in Equity

2012

(in thousands of Canadian dollars)	Equity attributable to shareholders							
	Capital stock (Note 16)	Equity component of convertible debentures	Contributed surplus	Retained earnings	Other comprehensive income (loss) (Note 18)	Total	Non-controlling interests	Total equity
BALANCE AS AT JANUARY 1, 2012	222,758	14,379	6,106	144,501	(65,980)	321,764	7,114	328,878
Net loss	—	—	—	(5,115)	—	(5,115)	(149)	(5,264)
Other comprehensive loss	—	—	—	—	(4,016)	(4,016)	(713)	(4,729)
COMPREHENSIVE LOSS	—	—	—	(5,115)	(4,016)	(9,131)	(862)	(9,993)
Conversion of convertible debentures (note 14)	117	—	—	—	—	117	—	117
Share repurchases	(5)	—	—	(2)	—	(7)	—	(7)
Stock option expense (note 17)	—	—	839	—	—	839	—	839
Excess of proceeds from partial sale of a subsidiary (note 19)	—	—	—	5,108	1,178	6,286	(6,286)	—
Contribution of non-controlling shareholders (note 19)	—	—	—	—	—	—	22,535	22,535
BALANCE AS AT DECEMBER 31, 2012	222,870	14,379	6,945	144,492	(68,818)	319,868	22,501	342,369

2011

(in thousands of Canadian dollars)	Equity attributable to shareholders							
	Capital stock (Note 16)	Equity component of convertible debentures	Contributed surplus	Retained earnings	Other comprehensive loss (Note 18)	Total	Non-controlling interests	Total equity
BALANCE AS AT JANUARY 1, 2011	222,853	14,488	5,028	141,693	(24,705)	359,357	8,332	367,689
Net earnings (loss)	—	—	—	2,883	—	2,883	(379)	2,504
Other comprehensive loss	—	—	—	—	(41,275)	(41,275)	(839)	(42,114)
COMPREHENSIVE INCOME (LOSS)	—	—	—	2,883	(41,275)	(38,392)	(1,218)	(39,610)
Conversion of convertible debentures (note 14)	258	—	—	—	—	258	—	258
Share repurchases	(353)	—	—	(75)	—	(428)	—	(428)
Stock option expense (note 17)	—	—	1,078	—	—	1,078	—	1,078
Other	—	(109)	—	—	—	(109)	—	(109)
BALANCE AS AT DECEMBER 31, 2011	222,758	14,379	6,106	144,501	(65,980)	321,764	7,114	328,878

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

Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)	Note	2012	2011
Net earnings (loss) attributable to shareholders of Boralex		(5,115)	2,883
Less: Net earnings from discontinued operations	24	3,721	5,489
Net loss from continuing operations attributable to shareholders of Boralex		(8,836)	(2,606)
Financing costs		49,279	49,664
Interest paid		(47,271)	(47,134)
Income tax recovery		(2,183)	(2,311)
Income taxes paid		(4,440)	(4,337)
Non-cash items in earnings (loss):			
Net loss on financial instruments		396	972
Share in loss (earnings) of the Joint Venture		(51)	150
Amortization		58,030	57,833
Impairment of property, plant and equipment and intangible assets	8	823	1,503
Loss (gain) on sale of assets	22	971	(2,377)
Gain on sale of assets to the Joint Venture	22	—	(582)
Other		1,897	3,465
		48,615	54,240
Change in non-cash items related to operating activities	26	(1,219)	11,891
NET CASH FLOWS RELATED TO OPERATING ACTIVITIES		47,396	66,131
Business acquisitions		(63,881)	(700)
Additions to property, plant and equipment		(10,320)	(34,419)
Additions to other intangible assets		(2,550)	—
Change in restricted cash		13,225	(2,364)
Increase in interest in the Joint Venture	10	(17,735)	(52,949)
Development projects		(3,422)	(1,620)
Proceeds from sale of asset	22	8,763	4,200
Insurance proceeds		723	—
Other		110	434
NET CASH FLOWS RELATED TO INVESTING ACTIVITIES		(75,087)	(87,418)
Decrease in bank loans and overdraft		—	(195)
Net increase in non-current debt		—	39,674
Repayments on non-current debt		(27,713)	(45,035)
Redemption of financial instruments prior to maturity		—	(15,670)
Contribution of non-controlling shareholders	19	22,513	—
Other		(2)	(433)
NET CASH FLOWS RELATED TO FINANCING ACTIVITIES		(5,202)	(21,659)
Cash related to discontinued operations, including proceeds on disposal	24	(3,642)	94,770
TRANSLATION ADJUSTMENT ON CASH AND CASH EQUIVALENTS		(1,030)	229
NET CHANGE IN CASH AND CASH EQUIVALENTS		(37,565)	52,053
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR		144,703	92,650
CASH AND CASH EQUIVALENTS - END OF YEAR		107,138	144,703

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

Notes to Consolidated Financial Statements

As at December 31, 2012

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

Note 1.

Incorporation and Nature of Business

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

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

*(*The data expressed in MW and MWh contained in notes 1, 5, 10, 24, 30, 32 and 33 is unaudited.)*

Note 2.

Basis of Presentation

These audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as published by the International Accounting Standards Board ("IASB"), including International Accounting Standards ("IAS") and the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") applicable to the preparation of financial statements, and IAS 1, *Presentation of Financial Statements*. The Corporation has consistently applied the same accounting policies for all of the periods presented.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Corporation's accounting policies. These areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

The Board of Directors approved these financial statements on March 8, 2013.

Note 3.

Significant Accounting Policies

The significant accounting policies used to prepare these consolidated financial statements are as follows:

Measurement Basis

The consolidated financial statements have been prepared on a going concern basis, under the historical cost method, except for the revaluation of financial assets and financial liabilities at fair value through profit and loss and the revaluation of available-for-sale financial assets at fair value through comprehensive loss.

Basis of Consolidation

The consolidated financial statements include the following accounts of the Corporation:

(a) Subsidiaries

The subsidiaries are entities over which the Corporation exercises control. The Corporation controls an entity when it has power to direct the relevant activities, when it is exposed, or has rights to variable returns, and when it has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date the Corporation acquires control and are deconsolidated on the date control ends. Intercompany transactions and balances and unrealized gains and losses on transactions between these entities are eliminated.

The Corporation's main subsidiaries as at December 31, 2012 are as follows:

Name of subsidiary	Voting rights held	Location
Boralex Europe S.A.	74.67%	Luxembourg
Boralex US Energy Inc.	100%	United States
Boralex Ontario Energy Holdings LP	100%	Canada
Boralex Ontario Energy Holdings 2 LP	100%	Canada
Boralex Power Limited Partnership	100%	Canada

(b) Joint Venture

A joint venture is a joint arrangement in which the parties are bound by a contractual agreement that gives them joint control over the net assets. The decisions about the relevant activities of the joint arrangement require the unanimous consent of the parties that exercise joint control. The Corporation's interest in the Joint Venture is accounted for using the equity method. The Corporation's share in the earnings (loss) of the Joint Venture is recorded as a separate line item in the consolidated statement of earnings (loss). Unrealized gains and losses on transactions between the Corporation and the Joint Venture are eliminated to the extent of the Corporation's interest in the Joint Venture.

(c) Non-controlling Shareholders

The non-controlling shareholders represents the interest held by third parties in subsidiaries. The net assets of the subsidiary attributable to non-controlling shareholders are reported as a component of equity. Their share in net earnings (loss) and comprehensive loss is recognized directly in equity. Any change in the Corporation's interest in a subsidiary that does not result in an acquisition or a loss of control is accounted for as a capital transaction.

Business Combinations

Business combinations are accounted for using the acquisition method. The consideration transferred by the Corporation to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity instruments issued by the Corporation, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed to earnings (loss) as incurred.

The Corporation recognizes identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have previously been recognized in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are measured at their acquisition-date fair values.

Goodwill is determined after separate recognition of identifiable assets acquired. It is calculated as the excess of the sum of the fair value of the consideration transferred, the amount of any non-controlling shareholders in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair value of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (gain on a bargain purchase) is recognized through earnings immediately.

Foreign Currency Translation

Functional and Reporting Currency

Items included in the financial statements of each of the Corporation's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Canadian dollars, which is Boralex's functional currency.

The financial statements of entities with a different functional currency from that of Boralex (foreign companies) are translated into Canadian dollars as follows: the assets and liabilities are translated at the exchange rate prevailing at the reporting date. Revenues and expenses are translated at the average exchange rate for each period. Translation gains or losses are deferred and included in *Other comprehensive loss*. When a foreign company is disposed of, translation gains or losses accumulated in *Other comprehensive loss* are maintained in comprehensive loss until the Corporation's net investment in that country has been entirely sold. Where applicable, exchange differences are recognized under *Foreign exchange loss (gain)* in net earnings (loss).

Foreign Currency Transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the reporting date. Exchange differences resulting from transactions are recognized under *Foreign exchange loss (gain)* in net earnings (loss) except for those relating to qualifying cash flow hedges, which are deferred under *Other comprehensive loss* in equity.

Financial Instruments

Financial assets and liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument. Financial assets are removed from the statement of financial position when the rights to receive cash flows from the assets have expired or have been transferred and the Corporation has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is extinguished, cancelled or terminated.

Classification of Financial Instruments

The Corporation classifies its financial instruments by category according to their nature and their characteristics. Management determines the classification of its financial assets and liabilities upon initial recognition. The Corporation classifies its financial assets and liabilities in the following categories:

(a) Financial Assets and Liabilities at Fair Value Through Profit or Loss

Financial assets and liabilities at fair value through profit or loss are financial assets and liabilities held for trading. A financial asset or liability is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also classified as held for trading unless they are designated as hedges. Financial instruments classified in this category are reported under current assets or current liabilities. The financial instrument is recorded initially and subsequently at fair value determined using market prices. Directly attributable transaction costs and any changes in fair value are recognized in net earnings (loss).

(b) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented in current assets when recoverable within 12 months following the end of the reporting period. Otherwise, they are classified as non-current assets. Financial instruments classified in this category include *Cash and cash equivalents*, *Restricted cash*, *Trade and other receivables* and *Reserve funds*. Loans and receivables are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the effective interest method less allowances for doubtful accounts.

(c) Available-for-sale Assets

Available-for-sale assets are non-derivative instruments that are either classified in this category or not classified in any of the other categories. They are presented in current financial assets when recoverable within 12 months following the end of the reporting period. Otherwise, they are classified as non-current assets. Available-for-sale assets are initially recognized at fair value plus directly attributable transaction costs and are subsequently measured at fair value with unrealized gains and losses recognized under *Other comprehensive loss*. Upon sale or impairment, fair value adjustments accumulated in *Other comprehensive loss* are recognized in net earnings (loss).

(d) Other Liabilities at Amortized Cost

Other liabilities are recognized initially at fair value and transaction costs are deducted from this fair value. Subsequently, other liabilities are measured at amortized cost. The difference between the initial carrying amount of other liabilities and their repayment value is recognized in net earnings (loss) over the term of the contract using the effective interest method. Other liabilities are presented in current liabilities when they are repayable within 12 months following the end of the reporting period. Otherwise, they are classified as non-current liabilities. This item includes *Trade and other payables*, *Non-current debt* and *Convertible debentures*.

(e) Compound Financial Instruments

Compound financial instruments issued by the Corporation, namely convertible debentures, are split into separate liability and equity components in accordance with the substance of the contractual arrangement. At the issue date, the fair value of the liability component was measured using the prevailing market interest rate for a similar non-convertible instrument. This amount is recognized as a liability at amortized cost using the effective interest method until conversion or maturity of the instrument. The equity component is determined by deducting the amount of the liability component from the total fair value of the compound instrument. This amount, less the tax impact, is accounted for in equity and is not subsequently remeasured.

Hedge Accounting

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Corporation designates these derivatives as hedges of a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction (cash flow hedge).

The Corporation documents at the inception of the transaction the relationship between the hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Corporation also documents its assessment, both at hedge inception and on an ongoing basis, as to whether the derivatives used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of the hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining life of the hedged item is more than 12 months and as a current asset or liability when the remaining life of the hedged item is less than 12 months. Held-for-trading derivative financial instruments are classified as a current asset or liability.

Cash Flow Hedges

The Corporation designates all derivative financial instruments as cash flow hedges. In a cash flow hedge relationship, the change in value of the effective portion of the derivative is recognized in *Other comprehensive loss*. The gain or loss relating to the ineffective portion is recognized immediately in net earnings (loss) under *Net loss on financial instruments*.

Amounts accumulated in equity are reclassified to net earnings (loss) in the periods in which the hedged item affects net earnings (loss) (for example, when the forecasted sale that is hedged takes place). The effective portion of the hedging derivative is recognized in the statement of earnings under *Financing costs*. The ineffective portion is recognized in the statement of earnings under *Net loss on financial instruments*. However, when the forecasted transaction that is hedged results in the recognition of a non-financial asset (for example, property, plant and equipment), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred in property, plant and equipment are subject to amortization.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss accumulated in equity at that time remains in equity and is recognized when the forecasted transaction affects earnings. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reversed through earnings under *Net loss on financial instruments*.

Cash and Cash Equivalents

Cash includes cash on hand and bank balances. Cash equivalents are short-term investments that mature within three months and comprise bankers' acceptances, deposit certificates guaranteed by banks or funds guaranteed by government bonds. These instruments include highly liquid instruments that are readily convertible into known amounts of cash and subject to non-significant risk of changes in value.

Restricted Cash

Restricted cash comprises highly liquid investments.

Inventories

Inventories are measured at the lower of cost and net realizable value. Cost is determined using the average cost method. Net realizable value corresponds to replacement cost in the normal course of business. Inventories mainly consist of replacement parts.

Property, Plant and Equipment

Property, plant and equipment, consisting mainly of power stations and power station sites, are recorded at cost less accumulated amortization and impairment losses, including interest incurred during the construction period of new power stations or wind power facilities. Amortization begins on the date the assets are commissioned using the following methods:

Wind Power Stations

Wind power stations are amortized by component using the straight-line method over periods of 5 to 20 years.

Hydroelectric Power Stations

The hydroelectric power stations are amortized by component using the straight-line method over periods of 20 to 40 years.

Thermal Power Stations

The natural gas power station in France is amortized by component using the straight-line method until its energy and steam sales contracts expire, in 2013 and 2022, respectively. The wood-residue power station is amortized by component using the straight-line method over a period of 25 years.

Solar Power Station

The solar power station is amortized by component using the straight-line method over a period of 20 years.

Major Maintenance

Major maintenance work is capitalized and amortized using the straight-line method over the scheduled maintenance frequency, which is approximately five years.

Useful lives, residual values and amortization methods are reviewed every year according to asset type, expected usage and changes in technology. Impairment losses and reversals are recognized in net earnings (loss) under *Impairment of property, plant and equipment*.

Energy Sales Contracts

Acquisition costs for power sales contracts are amortized on a straight-line basis over the remaining contract terms, including one renewal period, if applicable, which range from five to 34 years, except for those relating to the Hudson Falls and South Glens Falls hydroelectric power stations in the U.S. These costs are amortized using a method based on contract revenues up to contract expiry in 2034 and 2035, respectively.

Water Rights

The water rights related to all the hydroelectric power stations except for Buckingham (as this asset has an indefinite useful life) are amortized on a straight-line basis over the remaining contract terms, including one renewal period, which range from 24 to 34 years. Assets with indefinite lives, specifically the water rights at the Buckingham power station, are not amortized but are tested for impairment annually on October 31 or as soon as there is evidence of impairment. Any impairment loss is charged to earnings in the period in which it arises.

Goodwill

Goodwill, representing the excess of the consideration paid for businesses acquired over the net amount allocated to assets acquired and liabilities assumed, is not amortized. Goodwill is tested for impairment annually on October 31. Tests are also carried out when events or circumstances indicate a possible impairment. Any impairment loss is charged to earnings in the period in which it arises.

Other Intangible Assets

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.

Other Non-current Assets

Renewable Energy Tax Credits

Renewable energy tax credits attributed on the basis of incurred operating expenses are recorded as a reduction of operating expenses 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 useful lives. This program came to an end on December 31, 2009.

Reserve Funds

Reserve funds represent funds held in trust for the purpose of meeting the requirements of certain non-current debt agreements. The reserve funds, consisting of deposit certificates, are valued at amortized cost.

Borrowing Costs

The Corporation capitalizes costs directly attributable to the acquisition, construction or production of qualifying assets during their active construction. Other borrowing costs are expensed during the period in which they are incurred.

Leases

Leases are classified as finance leases when the lease arrangement transfers substantially all the risks and rewards of ownership to the Corporation. Leases are classified as operating leases when the lease arrangement does not transfer substantially all the risks and rewards of ownership to the Corporation. Payments made under operating leases are charged to the statement of earnings (loss) on a straight-line basis over the lease term.

Finance leases are capitalized at the lease term's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance costs so as to achieve a constant rate on the balance outstanding. Such lease obligations, net of financing costs, are included under *Other non-current liabilities*. The interest component of the financing costs is charged to earnings over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is amortized over the shorter of the useful life of the asset and the lease term.

Impairment of Assets

Non-current assets with indefinite useful lives, specifically the goodwill and water rights of the Buckingham power station, as well as intangible assets that are not yet ready for use, are tested for impairment annually on October 31 or if trigger events occur. These assets are tested for impairment when particular events or changes in circumstances indicate that their carrying amount might not be recoverable. An impairment loss is recognized when the carrying amount exceeds the recoverable amount. The recoverable amount of an asset is the higher of that asset's fair value less cost to sell and its value in use.

At the end of each reporting period, if there is any indication that an impairment loss recognized in a prior period, for an asset other than goodwill, no longer exists or has decreased, the loss is reversed up to its recoverable amount. The carrying amount following the reversal must not be higher than the carrying amount that would have prevailed (net of amortization) had the original impairment not been recognized in prior periods. Goodwill impairment charges are not reversed.

Impairment testing of assets is conducted at the level of the cash-generating units (“CGUs”). A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The Corporation's assets are monitored separately by power station, which corresponds to the CGU of the smallest identifiable group.

The recoverable amount of an asset or a CGU is the higher of its fair value less cost to sell and its value in use. To calculate value in use, estimated future cash flows are discounted to their present value using a discount rate that reflects changes in the time value of money and the risks specific to the asset or the CGU. When determining fair value less cost to sell, the Corporation considers whether there is a current market price for the asset. Otherwise, the Corporation uses a revenue approach, which is based on the present value of future cash flows generated by an asset or a CGU. The discounted cash flow method consists of projecting cash flows and converting them into present values by applying discount rates.

Provisions

A provision is recognized in the statement of financial position when the Corporation has a legal or constructive obligation as a result of a past event and it is probable that settlement of the obligation will require a financial payment or cause a financial loss, and a reliable estimate can be made of the amount of the obligation. If the expenditure required to settle a provision is expected to be reimbursed by a third party, the reimbursement is recorded in the statement of financial position as a separate asset, but only if it is virtually certain that reimbursement will be received. Provisions are measured using Boralex management's best estimate as to the outcome based on known facts as at the reporting date.

Litigation Provisions

Litigations are monitored regularly, case by case, by the legal department of the Corporation with the assistance of external legal advisors for major and complex litigation. A provision is recognized as soon as it becomes likely that a current obligation resulting from a past event will require a settlement whose amount cannot be reliably estimated. A provision of $1,024,000 was recognized as at December 31, 2012 (no significant provision in 2011) following the motion filed on December 20, 1996 against one of the subsidiaries of the Corporation for charges claimed under Section 68 of the *Water courses Act*, as a holder of hydraulic power.

Decommissioning Liability

A decommissioning liability is recognized at fair value in the period during which a legal or constructive obligation is incurred, when the amount of the liability can be reliably estimated and it is probable that the settlement of the obligation will require a financial payment. Decommissioning costs are capitalized into the value of the related asset and are amortized over the asset's remaining useful life. The liability is discounted using a risk-free interest rate.

The Corporation has no obligation to decommission hydroelectric power stations located on public land. Under site leases, these power stations must be handed back to the lessor at the end of the lease term without any decommissioning. For the other hydroelectric power stations located on private property belonging to Boralex, the likelihood of such an obligation arising is low since the decommissioning of such facilities would have significant consequences on the ecosystem and economic life in surrounding areas. It is usually more beneficial for the environment, local residents and companies to keep the dam. Given this low likelihood, no provision has been recognized.

For the wind power sites, the Corporation has a legal or contractual obligation to decommission its facilities when their commercial operations are discontinued. These costs are mostly related to the removal, transportation and disposal of the reinforced concrete bases that support the wind turbines, as well as the revegetation.

The Corporation has environmental obligations with respect to its wood-residue thermal power station. If the 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 not be material. Accordingly, the fair value of the liability is not material.

Last, the Corporation has an obligation to decommission its solar power site at the end of the lease term. The decommissioning costs are non-significant.

Taxes

The Corporation accounts for its income taxes using the deferred tax assets and liabilities method. Deferred income tax assets and liabilities are determined based on the difference between the carrying amount and the tax basis of the assets and liabilities. Any change in the net amount of deferred income tax assets and liabilities is charged to earnings. Deferred income tax assets and liabilities are determined based on enacted or substantively enacted tax rates and laws which are expected to apply to taxable income for the periods in which the assets and liabilities will be recovered or settled. Deferred income tax assets are recognized when it is likely they will be realized. Deferred tax assets and liabilities are reported under non-current assets and liabilities.

The tax expense includes current and deferred taxes. This expense is recognized in net earnings (loss), except for income tax related to the components of *Other comprehensive loss* or in equity, in which case the tax expense is recognized in *Other comprehensive loss* or in equity, respectively.

Current income tax assets or liabilities are obligations or claims for the current and prior periods to be recovered from (or paid to) taxation authorities that are still outstanding at the end of the reporting period and included under current assets or liabilities. Current tax is computed on the basis of tax profit which differs from net earnings (loss). This calculation is made using tax rates and laws enacted at the end of the reporting period.

The Corporation recognizes a deferred income tax asset or liability for all temporary differences generated by interests in subsidiaries and the Joint Venture, except where it is likely that the temporary difference will not reverse in the foreseeable future and the Corporation is able to control the reversal of the temporary difference.

Equity

Capital stock is presented at the value at which the shares were issued. Costs related to the issuance of stock or stock options are presented in equity, net of taxes, as a deduction from issuance proceeds.

Stock-based Compensation

Stock options granted to senior management are measured at fair value. This fair value is then recognized in net earnings (loss) over the vesting period for senior management with an offsetting increase in *Contributed surplus*. Fair value is determined using the widely-used 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*.

Expenses related to stock options are recorded under *Administrative* and the cumulative value of unexercised options outstanding is included under *Contributed surplus*.

Revenue Recognition

The Corporation recognizes its revenue under the following policies:

Revenues from Energy Sales

The Corporation recognizes its revenues, which consist of product sales, when persuasive evidence of an arrangement exists, the goods are delivered, the significant risks and benefits of ownership are transferred, the price is fixed or determinable and collection of the resulting receivable is reasonably assured.

Other Income

Other income is recognized when the service is provided and collection is considered likely.

Net Earnings (Loss) per Share

Net earnings (loss) per share is determined based on the weighted average number of Class A shares outstanding during the year. The calculation of diluted earnings per share takes into account the potential impact of the exercise of all dilutive instruments, i.e., stock options and the impact of convertible debentures, on the theoretical number of shares. Diluted earnings per share is 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.

Changes in Accounting Policies

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

In December 2011, the IASB issued a revised version of IFRS 7, *Financial Instruments: Disclosures*, to include requirements to disclose data on a gross and net settlement basis for financial instruments that qualify for offset in the statement of financial position and financial instruments subject to master netting arrangements. The revised IFRS 7 will be effective for the fiscal years of the Corporation beginning on or after January 1, 2013, with earlier adoption permitted. The Corporation adopted this new standard as at January 1, 2012 and this change had no impact on the Corporation's financial statements.

IFRS 10, *Consolidated Financial Statements*

New IFRS 10 standard provides additional guidance to assist in the determination of control where it is difficult to assess. The Corporation adopted this new standard as at January 1, 2012 and this change had no impact on the Corporation's financial statements.

IFRS 11, *Joint Arrangements*

New IFRS 11 focuses on the contractual rights and obligations resulting from the joint arrangement rather than its legal form. The standard addresses inconsistencies in the reporting of joint arrangements by requiring the equity method to account for interests in jointly controlled entities. The Corporation currently uses the equity method to account for its interest in the Joint Venture. Under this method, the share of net assets, net earnings (loss) and *Other comprehensive loss* of the Joint Venture is reported on separate lines in the statements of financial position, earnings and comprehensive loss, respectively. The Corporation adopted this new standard as at January 1, 2012 and this change had no impact on the Corporation's financial statements since the Corporation was already using the equity method to account for its investment.

IAS 28, *Investments in Associates and Joint Ventures* (Revised 2011)

IAS 28 has been revised to incorporate changes introduced by the issuance of IFRS 10 and IFRS 11, including the new requirement for joint ventures to be accounted for using the equity method. The Corporation adopted this new standard as at January 1, 2012 and this change had no impact on the Corporation's financial statements.

IFRS 12, *Disclosure of Interests in Other Entities*

IFRS 12 is a new standard that requires disclosures on all interests in the following entities: subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard requires an entity to disclose information regarding the nature and risks associated with its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. The Corporation adopted this new standard as at January 1, 2012 and this change only affected the level of disclosure in the financial statements of the Corporation regarding the interest in the Joint Venture and the non-controlling shareholders.

IFRS 13, *Fair Value Measurement*

New IFRS 13 does not change the requirements of the other standards that specify the circumstances in which an item is calculated at fair value. This standard clarifies the application of the concept when fair value measurement is required or authorized by IFRS. IFRS 13 provides a unique source of reference for all fair value measurements and improves disclosure requirements for use across IFRS. The Corporation adopted this new standard as at January 1, 2012 and this change only affected the level of disclosure regarding assets and liabilities at fair value reported in the note on financial instruments in the financial statements of the Corporation.

IAS 1, *Presentation of Financial Statements* (Revised 2011)

This amended standard requires that comprehensive income (loss) be classified by nature: items that will not be subsequently reclassified to net earnings (loss) and items that will be reclassified subsequently to net earnings (loss) when specific conditions are met. IAS 1 will be effective for the fiscal years of the Corporation beginning on or after July 1, 2012, with earlier adoption permitted. The Corporation adopted this new standard as at January 1, 2012 and this change only affected the presentation of the Corporation's consolidated statements of comprehensive loss.

Future Changes in Accounting Policies

IFRS 9, *Financial Instruments*

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

In October 2010, the IASB amended this standard to provide guidelines on the classification and measurement of financial liabilities. Companies that elect to measure their debt at fair value must recognize changes in fair value resulting from changes to their own credit risk through *Other comprehensive loss* instead of the statement of earnings (loss). This standard is required to be applied for accounting periods beginning on or after January 1, 2015, with earlier adoption permitted. The Corporation has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

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

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

Note 4.

Main Sources of Uncertainty

The preparation of financial statements in conformity with IFRS requires management to make estimates and judgments that can materially affect the recognized amounts of revenues, expenses, comprehensive loss, assets and liabilities, and the information reported in the consolidated financial statements.

The following items require management to make the most critical estimates and judgments.

Main Sources of Uncertainty Relating to Management's Key Estimates

Management determines its estimates based on a number of factors, namely its experience, current events and measures the Corporation could subsequently take, as well as other assumptions it deems reasonable given the circumstances. By their nature, these estimates are subject to estimation uncertainty and actual results may differ from them. Underlying estimates and assumptions are periodically reviewed and the impact of any changes is recognized immediately.

Impairment of Assets

Every year, on October 31, the Corporation tests its CGUs for impairment with respect to intangible assets with indefinite useful lives and goodwill. Also, at each reporting date, if any evidence of impairment exists, the Corporation must perform impairment tests on its assets with indefinite and finite useful lives and their goodwill to assess whether their carrying amounts are recoverable. Impairment tests require the use of various assumptions based on management's best estimates.

Recoverable Amount

Recoverable amounts are determined using value-in-use calculations based on discounted cash flows that factor in current economic conditions and management's estimates. Expected future cash flows are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, including market and production estimates, together with economic factors such as selling prices, production cost estimates, future capital expenditure, after-tax discount rates, the growth rate and useful lives.

Discount Rate

The discount rate estimated and used by management represents the weighted average cost of capital determined for a group of CGUs. The growth rate is determined based on past experience, economic trends as well as market and industry trends. Management believes that such assumptions are reasonable.

Useful Lives of Property, Plant and Equipment and Intangible Assets with Finite Useful Lives

In determining the useful lives of property, plant and equipment and intangible assets with finite useful lives, management takes into account estimates of the expected use period of the asset. Such estimates are reviewed annually and the impacts of any changes are accounted for prospectively.

Deferred Taxes

Management is required to estimate the amounts to be recognized as deferred income tax assets and liabilities. In particular, management must assess the timing of the reversal of temporary differences to which future income tax rates are applied. Further, the amount of deferred tax assets, which is limited to the amount that is considered likely to be realized, is estimated by taking into account future taxable income.

Decommissioning Liability

Future remediation costs, whether required under contract or by law, are recognized based on management's best estimates. These estimates are calculated at the end of each period and take into account expected undiscounted outflows for each asset in question. Estimates depend on labour costs, efficiency of site restoration and remediation measures, inflation rates and pre-tax interest rates that reflect current market conditions or the time value of money, as well as risks specific to the liability. Management also estimates the timing of expenses, which may change depending on the type of continuing operations. Expected future costs are inherently uncertain and could materially change over time. Given current knowledge, it is reasonably possible that, during upcoming fiscal years, actual costs could differ from the assumptions, requiring significant adjustments to the related liability's carrying amount.

Fair Value of Financial Instruments

Derivative financial instruments designated as cash flow hedges are accounted for at fair value in the statement of financial position and changes in fair value are reported in comprehensive loss.

Fair value is determined using discounted cash flow models. Fair value determined using such valuation models requires the use of assumptions concerning the amount and timing of estimated future cash flows, as well as numerous other variables. These assumptions are determined using external, readily observable market inputs. Since they are based on estimates, fair values may not be realized in an actual sale or immediate settlement of the instruments. See note 27 for a more detailed explanation of the bases for the calculations and estimates used.

Main Sources of Uncertainty Relating to Management's Key Judgments

Evidence of Asset Impairment

At each reporting date, management is required to use its judgment to assess whether there is any evidence that property, plant and equipment and intangible assets may be impaired. If applicable, the Corporation performs impairment tests on its CGUs to assess whether the carrying amounts of assets are recoverable. As described in the previous section, various estimates made by management are used in the impairment tests.

Management is required to exercise judgment and assess whether any events or changes in circumstances could have affected the recoverability of the carrying amount of assets. In making these assessments, management uses various indicators including, but not limited to, adverse changes in the industry or economic conditions, changes in the degree or method of use of the asset, a lower-than-expected economic performance of the asset or a significant change in market returns or interest rates.

Note 5.
Business Combinations

Acquisition of the St-Patrick Wind Farm and Development Projects

On June 28, 2012, Boralex announced that it had completed a series of transactions to acquire 100% of the shares of an entity and its subsidiary owning a 34.5 MW* wind farm in operation (the "St-Patrick" wind farm) through the Corporation's subsidiary Boralex Europe S.A., as well as 100% of the shares of three corporations owning three fully authorized wind projects totalling 56 MW* of capacity (the "Development Projects"), all for an aggregate cash consideration of $39,080,000 (€30,313,000), net of the cash and cash equivalents of the acquired businesses. This transaction gave rise to acquisition costs of $1,375,000, which were expensed. These corporations were acquired under Boralex's growth strategy through acquisitions aimed at expanding its market share in France.

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

The following table shows the final purchase price allocation:

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

The *Trade and other receivables* acquired under the transaction with a fair value of $1,762,000 (€1,367,000) were all collected as at December 31, 2012.

Goodwill represents the potential for renewal of energy sales contracts for St-Patrick and the three Development Projects and is non-deductible for tax purposes. Goodwill was allocated to the cash generating unit ("CGU") consisting of St-Patrick and the three Development Projects.

This final purchase price allocation was based on the fair value as at the acquisition date.

Since the acquisition date, the acquired businesses have contributed on an individual basis a total of $5,352,000 to revenues from energy sales and given rise to a net loss attributable to shareholders of Boralex of $347,000. Had the acquisition occurred on January 1, 2012, the equivalent of 12 months of results of the acquired businesses would have been included in the consolidated results, and management estimates that revenues from energy sales and net loss attributable to shareholders of Boralex would have amounted to $186,608,000 and $4,690,000, respectively, for the twelve-month period ended December 31, 2012. These estimates are based on the assumption that the fair value adjustments made on the acquisition date would have been the same had the acquisition occurred on January 1, 2012.

Acquisition of Jamie Creek

On October 25, 2012, Boralex announced that it had completed a series of transactions, through its subsidiaries, to acquire 100% of the shares of an entity owning a 22 MW* run-of-river hydroelectric power project under development (the "Jamie Creek" hydroelectric power station project) for a consideration of $11,919,000, comprising a cash amount of $9,785,000 and a contingent consideration of $2,134,000. This transaction gave rise to non-significant acquisition costs, which were expensed. This entity was acquired under Boralex's growth strategy through acquisitions aimed at expanding its market share in the Canadian hydroelectric power market.

The acquisition was accounted for by the Corporation using the acquisition method set out in IFRS 3, *Business Combinations*. The statement of financial position and the results of this acquisition are consolidated as of October 25, 2012.

The following table shows the final purchase price allocation:

	Final allocation (in thousands of $)
Current assets	770
Property, plant and equipment	6,768
Energy sales contracts	6,904
Goodwill	1,836
Current liabilities	(2,524)
Deferred income tax liability	(1,835)
Net assets	11,919

The goodwill represents the potential for renewal of energy sales contracts for Jamie Creek and is non-deductible for tax purposes. The goodwill was allocated to the CGU group of Jamie Creek.

The contingent consideration results from the contingent consideration arrangement entered into by the parties under the agreement for the sale of shares of Jamie Creek. The amount is based on the estimated total cost of construction for the project. At the time of the acquisition, the contingent consideration was measured at $2,134,000.

This final purchase price allocation was based on the fair value as at the acquisition date.

Since the acquisition date, the acquired entity has contributed a nil amount to revenues from energy sales and generated a non-significant net result attributable to the shareholders of Boralex as the project is under construction and the costs are capitalized.

Acquisition of La Vallée

On November 8, 2012, Boralex announced that it had completed a series of transactions to acquire 100% of the shares of an entity owning a 26 MW* wind farm under development (the "La Vallée - Ménétréols" wind farm project) through the Corporation's subsidiary Boralex Europe S.A., as well as 40% of the shares of an entity owning a 6 MW* wind farm project (the "La Vallée - St-Georges wind farm project"), all for an aggregate cash consideration of $15,016,000 (€11,730,000). This transaction gave rise to non-significant acquisition costs, which were expensed. Also, a non-controlling interest in the amount of $22,000 was recognized on the date of acquisition. For the St-Georges wind farm, once the site zoning conditions are lifted during the coming months, the vendor has undertaken to sell its 60% interest which the Corporation has undertaken to buy. This entity was acquired under Boralex's growth strategy through acquisitions aimed at expanding its market share in the French wind power market.

The acquisition was accounted for by the Corporation using the acquisition method set out in IFRS 3, *Business Combinations*. The statement of financial position and the results of this acquisition are consolidated as of November 8, 2012.

The following table shows the final purchase price allocation:

	Final allocation	
	(in thousands of $)	(in thousands of €)
Current assets	1,738	1,358
Property, plant and equipment	11,176	8,730
Energy sales contracts	2,176	1,700
Current liabilities	(74)	(58)
Net assets	15,016	11,730

This final purchase price allocation was based on the fair value as at the acquisition date.

Since the acquisition date, the acquired entity has contributed a nil amount to revenues from energy sales and generated a non-significant net loss attributable to the shareholders of Boralex as the project is under construction and the costs are capitalized.

Note 6.
Trade and Other Receivables

	As at December 31, 2012	As at December 31, 2011
Trade receivables - net	33,224	33,666
Receivables from related parties (note 31)	3,100	5,813
Other receivables	9,265	11,021
	45,589	50,500

All these amounts have current maturities. Their net carrying amounts reasonably approximate their fair values.

The Corporation has recorded a non-significant provision for the accounts in the above table given the clients' high credit ratings. As at December 31, 2012, approximately 2% of *Trade and other receivables* (2% as at December 31, 2011) were outstanding for more than 90 days since invoice date, while approximately 80% of accounts (86% as at December 31, 2011) were current (under 30 days).

Note 7.
Inventories

	As at December 31, 2012	As at December 31, 2011
Replacement parts	3,340	3,140
Wood residue	1,020	385
Other raw materials	44	48
	4,404	3,573

Inventory costs of $3,615,000 were expensed in 2012 ($7,895,000 in 2011) under *Operating expenses* in the statement of earnings (loss).

Note 8.
Property, Plant and Equipment

	Wind power stations	Hydroelectric power stations	Thermal power stations	Solar power station	Corporate	**Total**
Year ended December 31, 2011						
Balance - beginning of year	420,349	179,023	128,391	6,723	4,398	738,884
Translation adjustment	(1,413)	2,263	38	(693)	(92)	103
Additions	6,263	3,730	3,292	14,611	1,236	29,132
Disposals	—	(1,063)	(504)	—	(1,398)	(2,965)
Amortization	(27,449)	(6,036)	(12,992)	(572)	(742)	(47,791)
Impairment	—	—	(1,503)	—	—	(1,503)
Discontinued operations	—	—	(71,578)	—	—	(71,578)
Other changes	(902)	364	(536)	(1,903)	1,742	(1,235)
Balance - end of year	396,848	178,281	44,608	18,166	5,144	643,047
As at December 31, 2011						
Cost	483,312	190,954	60,774	18,711	8,950	762,701
Accumulated amortization	(86,464)	(12,673)	(16,166)	(545)	(3,806)	(119,654)
Net carrying amount	396,848	178,281	44,608	18,166	5,144	643,047
Year ended December 31, 2012						
Balance - beginning of year	396,848	178,281	44,608	18,166	5,144	643,047
Translation adjustment	10	(2,210)	(71)	(87)	(43)	(2,401)
Additions	12,730	6,922	423	1,523	566	22,164
Additions via business acquisitions (note 5)	75,284	6,768	—	—	—	82,052
Disposals	(151)	(151)	(6,991)	(25)	—	(7,318)
Amortization	(29,005)	(6,319)	(11,757)	(991)	(432)	(48,504)
Impairment	—	—	(268)	—	—	(268)
Other changes	433	157	(108)	—	(230)	252
Balance - end of year	456,149	183,448	25,836	18,586	5,005	689,024
As at December 31, 2012						
Cost	571,162	201,721	51,016	20,185	9,195	853,279
Accumulated amortization	(115,013)	(18,273)	(25,180)	(1,599)	(4,190)	(164,255)
Net carrying amount	456,149	183,448	25,836	18,586	5,005	689,024

Amortization of property, plant and equipment is presented under *Amortization*. Amortization of property, plant and equipment amounted to $48,504,000 for the year ended December 31, 2012 ($47,791,000 in 2011) including $2,251,000 related to finance leases ($1,823,000 in 2011). Cost and accumulated amortization of assets under finance leases totalled $28,217,000 and $18,445,000, respectively, as at December 31, 2012 ($28,378,000 and $16,239,000 as at December 31, 2011).

Assets include replacement parts amounting to $2,841,000 ($3,445,000 as at December 31, 2011) and power stations under construction totalling $32,523,000 ($56,000 as at December 31, 2011). These assets are not amortized until they are commissioned.

An amount of $7,585,000 relating to additions to property, plant and equipment was still unpaid as at December 31, 2012 ($1,506,000 in 2011) and included under *Trade and other payables*.

Impairment of Property, Plant and Equipment and Intangible Assets

	As at December 31, 2012	As at December 31, 2011
Thermal power stations	268	1,503
Development projects	555	—
	823	1,503

On April 18, 2012, the Corporation completed the sale of the Dolbeau wood-residue thermal power station to Resolute Forest Products for a cash consideration of $5,000,000, with an immediate transfer of possession. An impairment loss of $268,000 on the property, plant and equipment of the Dolbeau power station was recognized as at March 31, 2012 to reduce the assets' carrying amount to their recoverable amount. An impairment loss of $6,503,000 on property, plant and equipment related to this power station had previously been recognized in September 2011 after management decided to close this power station definitively. Following the finalization of an asset sale agreement in December 2011, an impairment reversal was recognized in the amount of $5,000,000.

On April 4, 2012, the Corporation closed the sale of a wind power development project in Italy for a consideration of $1,950,000 (€1,466,000). An impairment loss of $555,000 was recognized as at March 31, 2012 to reduce the carrying amount of the wind power project to its recoverable amount.

The impairment charge is recorded under *Impairment of property, plant and equipment and intangible assets* in the consolidated statement of earnings (loss).

Note 9.
Other Intangible Assets and Goodwill

	Other intangible assets					
	Energy sales contracts	Water rights	Development projects	Other intangible assets	**Total**	Goodwill
Year ended December 31, 2011						
Balance - beginning of year	103,994	113,015	12,434	2,998	232,441	38,063
Translation adjustment	324	—	(11)	(22)	291	—
Additions	—	—	1,620	3	1,623	—
Disposals	—	—	(2,750)	—	(2,750)	—
Sale of assets to the Joint Venture	—	—	(5,080)	—	(5,080)	—
Amortization	(5,898)	(2,964)	—	(1,180)	(10,042)	—
Discontinued operations	(34)	—	—	—	(34)	—
Other changes	(681)	1,793	(2,580)	(147)	(1,615)	—
Balance - end of year	97,705	111,844	3,633	1,652	214,834	38,063
As at December 31, 2011						
Cost	112,568	116,786	3,633	3,127	236,114	38,063
Accumulated amortization	(14,863)	(4,942)	—	(1,475)	(21,280)	—
Net carrying amount	97,705	111,844	3,633	1,652	214,834	38,063
Year ended December 31, 2012						
Balance - beginning of year	97,705	111,844	3,633	1,652	214,834	38,063
Translation adjustment	(1,435)	—	958	3	(474)	151
Additions	—	117	4,612	3,196	7,925	—
Additions via business acquisitions (note 5)	16,849	—	24,189	—	41,038	10,449
Disposals	—	—	(858)	—	(858)	—
Amortization	(5,648)	(2,990)	—	(888)	(9,526)	—
Impairment	—	—	(555)	—	(555)	—
Other changes	940	(27)	(684)	502	731	—
Balance - end of year	108,411	108,944	31,295	4,465	253,115	48,663
As at December 31, 2012						
Cost	128,139	115,852	31,295	6,828	282,114	48,663
Accumulated amortization	(19,728)	(6,908)	—	(2,363)	(28,999)	—
Net carrying amount	108,411	108,944	31,295	4,465	253,115	48,663

Amortization of energy sales contracts, water rights and other intangible assets are included under *Amortization*.

The weighted average amortization period of intangible assets with finite useful lives is as follows (in number of years):

Energy sales contracts	18 years
Water rights	26 years

Water rights of the Buckingham hydroelectric power station, which represent an amount of $36,332,000 ($36,332,000 in 2011), are not amortized given their indefinite useful life.

Development projects consist primarily of several wind power projects in Québec and France, and one hydroelectric project in British Columbia.

Other intangible assets comprise mostly CO_2 quotas held by the Blendecques natural gas power station in France and an integrated management software.

For annual impairment testing purposes, goodwill was allocated to CGUs of hydroelectric power stations, the St-Patrick wind farm and the three development projects, respectively, according to their value.

The goodwill and water rights of the Buckingham power station were tested for impairment on October 31, 2012. Currently, according to analyses, their carrying amounts are supported by the recoverable amounts determined using cash flow projections and a 6.5% discount rate.

Note 10.
Interest in the Joint Venture

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

	2012	2011
Balance - beginning of year	45,266	—
Capital contribution	—	6,012
Cash contribution	17,735	52,949
Share in earnings (loss)	51	(205)
Share in comprehensive loss	(4,088)	(13,461)
Other	30	(29)
Balance - end of year	58,994	45,266

Current assets, non-current assets, current liabilities, non-current liabilities, net earnings (loss) and comprehensive loss of the Joint Venture are as follows:

	As at December 31, 2012	As at December 31, 2011
Current assets	19,884	16,520
Non-current assets	321,724	142,262
TOTAL ASSETS	341,608	158,782
Current liabilities	15,432	17,946
Non-current liabilities	208,188	50,246
TOTAL LIABILITIES	223,620	68,192
NET ASSETS	117,988	90,590

	2012	2011
Administrative	126	120
Development	11	—
	137	120
OPERATING INCOME	(137)	(120)
Interest income	(26)	(6)
Financing costs	2	—
Foreign exchange loss (gain)	2	(4)
Net loss (gain) on financial instruments	(217)	300
NET EARNINGS (LOSS)	102	(410)
Other comprehensive loss	(8,177)	(26,922)
COMPREHENSIVE LOSS	(8,075)	(27,332)

Commitments

	Payments			
	Current portion	1 to 5 years	Over 5 years	**Total**
Service agreement	400	2,171	9,253	11,824
Construction contracts	187,842	—	—	187,842
Maintenance contract	—	8,927	15,484	24,411
Land lease contracts	80	3,085	14,353	17,518
Total	188,322	14,183	39,090	241,595

Sales Contracts

Under power sales contracts entered into with Hydro-Québec in 2008 for 272 MW of electricity generated by the Seigneurie de Beaupré 2 and 3 wind farm, the Joint Venture undertook to sell its total electricity output (subject to certain minimum thresholds). These 20-year contracts are effective as of the commissioning of the wind farms. A number of these contracts provide for annual indexation based on the Consumer Price Index ("CPI").

Service Agreement

Under the terms of a service contract entered into in 2008, the Corporation undertook to operate the wind farms of the Joint Venture. The Corporation is in charge of operating, maintaining and administering the sites. The contract has a 21-year term, which begins one year prior to the commissioning date, that is, since December 2012. The amounts payable under this agreement are limited to operating and maintenance expenses and include fixed and variable management fees. Fixed management fees are indexed annually based on the CPI. As at December 31, 2012, the Corporation's share in the net commitments of the Joint Venture amounted to $11,824,000.

Construction Contracts

In June 2011, the Joint Venture entered into a contract to build and install wind turbines on private land of the Séminaire de Québec. Expenditures are made according to the percentage of completion. In the event of cancellation of the current agreement by the Joint Venture, the Joint Venture must, in addition to the costs of work already carried out, compensate the contractor for any loss of unrealized profit on work not carried out. As at December 31, 2012, the Corporation's share in the net commitments of the Joint Venture was $183,922,000, consisting of €74,765,000 and $85,846,000.

In August 2011, the Joint Venture entered into a contract for the construction of the roads, the crane pads and the electrical network of the wind farm project. Expenditures are made according to the percentage of completion. Also, the Joint Venture entered into a contract for the construction of the wind farm project's transformer station. Expenditures are made according to the percentage of completion. As at December 31, 2012, the Corporation's share in the net commitments of the Joint Venture was $3,885,000.

In December 2011, the Joint Venture entered into an agreement for the construction of the wind farm project's telecommunications network. Expenditures are made according to the percentage of completion. As at December 31, 2012, the Corporation's share in the net commitments of the Joint Venture was $34,000.

Maintenance Contract

In August 2011, the Joint Venture entered into a 15-year wind turbine maintenance agreement that will be effective as of project commissioning slated for December 2013. The contract includes a cancellation option at the Joint Venture's discretion after seven years. Expenditures under the contract will be made one year after the commissioning date and depend, in particular, on the power output of the wind turbines. As at December 31, 2012, the Corporation's share in the net commitments of the Joint Venture was $24,411,000 for the next six years.

Land Lease Contract

In June 2011, the Joint Venture entered into a land lease contract maturing in 2033, renewable each year at the lessee's option. The land on which wind turbines will be installed is leased for an annual amount of approximately $35,000 until commissioning slated for December 2013, and thereafter for an annual amount of approximately $1,500,000, indexed annually at a rate of 1.5%. As at December 31, 2012, the Corporation's share in the net commitments of the Joint Venture was $17,518,000.

Letters of Credit

As at December 31, 2012, the Corporation's share of the letters of credit issued by the Joint Venture amounted to $27,912,000.

Financing

On November 8, 2011, the Corporation finalized financing for construction work on the first two wind farms. The amount of the financing, secured by the project's assets without recourse against the partners, consists of a $560,000,000 two-year construction loan, which will convert into a term loan repayable over an 18-year amortization period once commercial operations commence in December 2013. A tranche of $260,000,000 of the financing is covered by a guarantee pledged in favour of the lenders by the Federal Republic of Germany through its export credit agency, Euler-Hermes. With this financing and the equity injected on or before the financing closing date, the first phase of the wind farms is entirely funded.

In addition to the $560,000,000 in long-term financing, current loans, including bridge financing and letter of credit facilities, totalling $165,000,000, have been contracted for purposes of financing certain costs incurred during construction that are repayable by Hydro-Québec and issuing various letters of credit, increasing the total amount of financing to $725,000,000.

After the financing closing date, the Joint Venture entered into interest rate swap transactions to set the financing rate for a significant portion of the project over the expected term of the underlying financing. The transactions have a total nominal amount of $551,732,000 with rates ranging from 3.18% to 3.22%.

Note 11.
Other Non-current Assets

	Note	As at December 31, 2012	As at December 31, 2011
Renewable energy tax credits	(a)	9,530	10,947
Reserve funds	(b)	3,125	3,169
Other		80	120
		12,735	14,236

(a) *Renewal energy tax credits* represent the balance of tax credits earned by the Corporation in the U.S. and will be used to reduce the Corporation's future tax burden in the United States. Financial projections indicate that the amount recorded may be realized by the expiration dates, that is, from 2025 to 2029. These tax credits are granted under the U.S. federal tax regime. With respect to Boralex thermal power stations, this program was in force for a five-year period starting January 1, 2005 and ending on December 31, 2009. Tax credits were based on the power stations' actual production. While this credit is non-refundable, it can be carried forward for the next 20 taxation years.

(b) *Reserve funds* consist primarily of reserves for servicing non-current debt. The reserves guarantee financing arrangements in France, the United States and Canada and are sufficient to service the debt for three to nine months, depending on the project. These reserves totalled $2,729,000 (€1,142,000 and US$1,237,000). A reserve to finance capital expenditures amounted to $298,000 (US$300,000).

Note 12.
Trade and Other Payables

	As at December 31, 2012	As at December 31, 2011
Trade payables	8,750	6,193
Due to related parties (note 31)	1,553	1,250
Accrued liabilities	18,150	11,570
Deferred revenues	46	136
Other payables	18,446	15,060
	46,945	34,209

Note 13.
Non-current Debt

	Note	Maturity	Rate (1)	As at December 31, 2012	As at December 31, 2011
Master agreement - wind farms (France)	(a)	2017-2022	5.02	161,042	175,075
Term loan payable - Nibas wind farm (France)	(b)	2016	5.00	5,104	6,350
Term loan payable - St-Patrick wind farm (France)	(c)	2025	5.02	47,448	—
Finance leases (France)	(d)	2012-2015	4.58	3,026	4,580
Term loan payable - Ocean Falls power station	(e)	2024	6.55	10,138	10,722
Term loan payable - Thames River wind farms	(f)	2031	7.05	173,481	179,628
Canadian senior secured note	(g)	2014	6.63	36,601	37,141
U.S. senior secured note	(g)	2013	6.23	71,994	76,597
Term loan payable - solar power station (France)	(h)	2025-2028	3.96	15,738	20,065
Other debts		—	—	4,877	4,915
				529,449	515,073
Current portion of debt				(98,570)	(26,659)
Borrowing cost, net of accumulated amortization				(7,263)	(8,889)
				423,616	479,525

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

(a) The master agreement comprises financing for several wind farms 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, 2012, the balance of the Senior Facility stood at $150,095,000 (€114,420,000) ($162,641,000 (€123,278,000) as at December 31, 2011), with a Junior Facility balance of $10,947,000 (€8,345,000) ($12,434,000 (€9,425,000) as at December 31, 2011). Also as at December 31, 2011, letters of credit amounting to $13,110,000 (€9,994,000) were issued to cover the various reserves required under the master agreement. The Senior Facility and Junior Facility interest rates are variable and based on EURIBOR, 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 commercial commissioning date.

(b) This loan payable bears interest at a fixed rate of 5.00% and repayments are quarterly. As at December 31, 2012, the balance stood at $5,247,000 (€4,000,000) ($6,350,000 (€4,813,000) as at December 31, 2011). All Nibas wind farm assets are pledged as collateral for this loan.

(c) The St-Patrick wind farm's term loan payable was acquired at the time of the business combination. As at December 31, 2012, the loan amounted to $47,448,000 (€36,170,000). The remaining financing term is 12 years, and the loan matures on February 15, 2025. The Corporation makes semi-annual repayments of principal and interest. The variable interest rate for this financing is based on EURIBOR, plus a margin. The margin is 2.25% for the next two years, then 2.50% for the five subsequent years and, lastly, 3.00%. To reduce its exposure to rate movements, interest rate financial swaps have been entered into with a total notional amount of $35,643,000 (€27,171,000). Under these swaps, a fixed rate is provided for approximately 75% of total debt. At present, the variable interest rate is 2.53%, while the fixed rate is approximately 5.83%. The portion of debt hedged by the interest rate financial swaps will gradually fall from 74% to 68% from the third to the seventh year. Then, it will gradually decline over the five remaining years.

(d) Finance leases consist of finance leases on assets located in France. As at December 31, 2012, the balance stood at $3,026,000 (€2,307,000) ($4,579,000 (€3,471,000) as at December 31, 2011). The finance lease obligations bear interest at fixed and variable rates and are repayable on a quarterly basis. The associated property, plant and equipment had a net carrying amount of $9,771,000 (€7,449,000) as at December 31, 2012 ($12,139,000 (€9,201,000 as at December 31, 2011).

The scheduled maturities of finance lease obligations are as follows:

	2012	2011
Minimum lease payments		
Current portion	1,533	1,775
1 to 5 years	1,729	3,284
Over 5 years	—	—
Interest included in minimum payments	235	479
Present value of minimum lease payments		
Current portion	1,406	1,693
1 to 5 years	1,487	2,893
Over 5 years	—	—

(e) On March 31, 2011, the Corporation entered into a credit agreement in respect of its Ocean Falls hydroelectric power station in British Columbia ("Ocean Falls"). This 13-year term credit agreement for an amount of $11,000,000 is secured by all the assets of the Ocean Falls power station, without recourse to Boralex. The credit agreement allows for early repayment, subject to the payment of a premium calculated on the date of repayment as the difference, if any, between the balance of the debt and the future cash flows discounted using the rate of Government of Canada bonds with a similar term plus 0.5%. On April 1, 2011, the Corporation repaid the initial loan balance of $9,000,000 as provided for under the terms of the agreement.

(f) On March 15, 2010, Boralex finalized a financing arrangement for its Thames River wind farm in Ontario. This private placement totalling $194,500,000 consisted of a tranche of $186,000,000 earmarked to pay for construction costs and a second tranche of $8,500,000 under a letter of credit facility. The escrowed amount totalled $57,000 as at December 31, 2012. Boralex makes quarterly repayments of principal and interest. The interest rate is fixed at 7.05% with a final debt maturity of January 2, 2031. The letter of credit facility is renewable on March 15, 2013, 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 financing.

(g) Canadian and U.S. notes are collateralized by all of the assets of the nine power stations acquired from 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. note, the loan agreement requires the Corporation to maintain two reserve accounts at all times. The first account, amounting to at least $298,000 (US$300,000), serves to fund capital expenditures. The second account is a debt servicing reserve, the minimum amount of which has been set at three months of debt servicing payments, representing $1,094,000 (US$1,100,000). As at December 31, 2012, deposits in trust totalled $1,566,000 (US$1,574,000). The U.S. note matures on August 31, 2013. The Corporation is currently in talks with various lenders to replace the note with new long-term facilities in an amount equal to or greater than the current balance.

(h) This loan payable, secured by the assets of the solar power station in Europe, consists of $3,422,000 (€2,609,000) drawn down under a total financing facility of $3,935,000 (€3,000,000) over 15 years, $13,118,000 (€10,000,000) over 18 years and $3,411,000 (€2,600,000) drawn down under a revolving VAT financing facility. The first quarterly repayment was made on June 30, 2012. The interest rate for the $3,935,000 (€3,000,000) facility is variable and based on EURIBOR, plus a margin, but the Corporation used interest rate swaps to reduce its exposure to rate fluctuations as discussed below. The interest rate for the $13,118,000 (€10,000,000) facility 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 remaining loan term. The Corporation also uses an interest rate swap to reduce its exposure to the change in the future rate for years 11 to 18 and covers 80% of the debt during that period.

Amortization of financing costs amounted to $2,245,000 for the year ended December 31, 2012 ($2,085,000 in 2011) is accounted for under *Financing costs*.

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.

Revolving Credit Facility

Boralex has a revolving credit facility with a three-year term maturing on June 30, 2013 with an authorized amount of $60,000,000. However, cash advances are limited to a total of $40,000,000. For drawdowns in US dollars, the interest rate is based on LIBOR or the U.S. prime rate plus a margin while interest on Canadian dollar drawdowns is calculated using the Canadian bankers' acceptance rates or the prime rate plus their respective margins. This facility is secured by the assets of Boralex and its investments in its U.S. operations. As at December 31, 2012, letters of credit totalling $7,011,000 had been issued. No cash advances had been drawn under this credit facility. Management intends to arrange for a one-year extension to this credit facility in the coming months.

Interest Rate Swaps

The revolving credit facility, master agreement, term loan for the solar power station, 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 a 74%-100% portion 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 EURIBOR and pays fixed amounts based on rates of 3.30%-5.16%.

Since the credit is drawn gradually 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 the arrangements. These instruments have allowed Boralex to reduce the percentage of variable rate debt from 40% to 3%.

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 be met 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 current debt servicing, equipment maintenance and income taxes at various times over the terms of the agreements. As at December 31, 2012, $3,125,000 ($3,169,000 as at December 31, 2011) was kept in reserve fund accounts for that purpose. These amounts are included in *Other non-current assets* in the Corporation's consolidated statement of financial position.

The Thames River wind farm private placement credit agreement contains certain covenants that are typical for wind farm financing. For instance, the Project must meet a minimum debt service ratio to be authorized to pay distributions to its shareholder Boralex.

For the senior secured notes, if certain ratios were to fall below preset levels, Boralex would be required to deposit an additional $398,000 (US$400,000) each month until such time as the 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, 2012, Boralex was in compliance with all of its financial ratio requirements.

Minimum Future Payments

Estimated aggregate repayments of non-current debt are detailed as follows:

Current portion*	98,570
1 to 5 years	154,393
Over 5 years	277,221

*Including $71,994,000 for the U.S. note which matures on August 31, 2013 but is currently being refinanced by the Corporation.

Note 14.

Convertibles Debentures

In 2010, the Corporation closed its bought deal financing of extendible convertible unsecured subordinated debentures. The debentures issued in 2010 had a total value of $245,150,000, of which $19,537,000 (before taxes) was allocated to the equity component.

Using acceptable pricing models and the 8.50% interest rate prevailing at the date of issuance for instruments with similar conditions and risk, the debt and equity components of the debentures were separately recognized based on their respective fair values. The debt component, representing the value allocated to the liability at inception, is accounted for as a non-current 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.

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. Each debenture is convertible into Class A common 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 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 value of convertible debentures was determined as follows:

	2012	2011
Balance - beginning of year	223,347	220,824
Conversion of debentures	(117)	(258)
Amortization of convertible debenture issuance costs	546	464
Imputed interest on convertible debentures of 8.50%	2,523	2,317
Balance - end of year	226,299	223,347

As at December 31, 2012, Boralex had 2,447,487 issued and outstanding convertible debentures with a nominal value of $100 each (2,448,658 as at December 31, 2011).

Note 15.

Income Taxes

The impact of income tax recovery on earnings is as follows:

	2012	2011
Current taxes	2,620	4,774
Deferred taxes	(4,803)	(7,085)
	(2,183)	(2,311)

The reconciliation of income tax recovery on earnings from continuing operations, calculated using the statutory income tax rates prevailing in Canada, with the income tax recovery reported in the financial statements is as follows:

	2012	2011
Pre-tax net loss from continuing operations	(11,168)	(5,296)
Combined basic Canadian and provincial income tax rate	26.59%	28.34%
Income tax recovery at the statutory rate	(2,970)	(1,501)
Increase (decrease) in income taxes arising from the following:		
Non-taxable/non-deductible items	(1,868)	(2,318)
Difference in foreign operations' statutory income tax rates	2,351	2,551
Difference resulting from the change in income tax rates on specific items	288	(79)
Change in valuation allowance	(722)	(452)
Remeasurement of current and deferred tax assets and liabilities	320	(553)
Foreign income taxes payable on dividends and other items	418	41
Effective income tax recovery	(2,183)	(2,311)

The change in the effective tax rate resulted primarily from a combination of the following:

- Unequal earnings growth at subsidiaries taxed at rates that vary from subsidiary to subsidiary; and
- Update of deferred taxes related to rate changes in the jurisdictions concerned.

The changes in deferred taxes by nature are as follows:

	As at January 1st, 2012	Recorded in comprehensive loss	Recorded in net loss	Recorded in goodwill	As at December 31, 2012
Deferred income tax asset related to loss carryforwards	61,723	—	2,686	18,419	82,828
Financial instruments	16,933	2,194	(12,317)	1,301	8,111
Provisions	2,200	—	(353)	—	1,847
Interest in the Joint Venture	154	—	4,677	—	4,831
Temporary differences between accounting and tax amortization	(103,643)	—	8,552	(30,167)	(125,258)
Translation adjustments	(1,647)	(33)	1,646	—	(34)
Financing and other costs	(1,751)	—	(88)	—	(1,839)
Total deferred income tax liability	(26,031)	2,161	4,803	(10,447)	(29,514)

	As at January 1st, 2011	Recorded in comprehensive loss	Recorded in net earnings	Recorded in earnings from discontinued operations	As at December 31, 2011
Deferred income tax asset related to loss carryforwards	53,822	—	9,987	(2,086)	61,723
Financial instruments	(1,679)	17,450	1,162	—	16,933
Provisions	2,129	—	71	—	2,200
Interest in the Joint Venture	—	—	154	—	154
Temporary differences between accounting and tax amortization	(120,274)	—	(2,991)	19,622	(103,643)
Translation adjustments	—	(1,647)	—	—	(1,647)
Financing and other costs	(453)	—	(1,298)	—	(1,751)
Total deferred income tax liability	(66,455)	15,803	7,085	17,536	(26,031)

Given that future taxable income is expected to be sufficient, deductible temporary differences, unused loss carryforwards and tax credits have been recorded as a deferred tax asset in the statement of financial position.

The Corporation and its subsidiaries have accumulated losses for income tax purposes amounting to approximately $285,309,000, which may be carried forward to reduce taxable income in future years. These loss carryforwards have been realized essentially due to the accelerated capital cost allowance for wind farm assets in France. The tax benefit arising from these loss carryforwards has been recognized as a deferred tax asset. These loss carryforwards, which may be claimed in future years, expire as follows:

	2026	2027	2028	2029	2030	2031	2032	Unlimited	Total
Canada	2,645	5,224	2,604	2,688	7,315	2,256	41,536	29,913	94,181
France	-	-	-	-	-	-	-	191,128	191,128
	2,645	5,224	2,604	2,688	7,315	2,256	41,536	221,041	285,309

Note 16.

Capital Stock and Contributed Surplus

Boralex's capital stock is composed of an unlimited number of Class A common shares and an unlimited number of preferred shares none of which had been issued as at December 31, 2012. The Class A shares have no par value and confer on each shareholder the right to vote at any meeting of shareholders, receive any dividends declared by the Corporation thereon and share in the residual property upon dissolution of the Corporation. The preferred shares have no par value and were created to provide the Corporation with additional flexibility with respect to future financing, strategic acquisitions and other transactions. The preferred shares are issuable in series with the number of shares in each series to be determined by the directors prior to issuance.

The Corporation's contributed surplus is equal to the cumulative value of unexercised options granted to senior management.

The following changes occurred in the Corporation's capital stock and contributed surplus between December 31, 2011 and 2012:

		Capital stock		Contributed surplus
	Note	Number of shares	Amount	Amount
Balance as at January 1, 2011		37,765,139	222,853	5,028
Issuance of shares on debenture conversions	(a)	20,688	258	—
Share repurchases	(b)	(59,400)	(353)	—
Fair value of options recorded during the year	(c)	—	—	1,078
Balance as at December 31, 2011		37,726,427	222,758	6,106
Issuance of shares on debenture conversions	(a)	9,368	117	—
Share repurchases	(b)	(900)	(5)	—
Fair value of options recorded during the year	(c)	—	—	839
Balance as at December 31, 2012		37,734,895	222,870	6,945

(a) Each debenture is convertible into Class A common shares of Boralex at the option of the holder at any time under the terms and conditions described in note 14. Some debenture holders availed themselves of this option and converted 1,171 debentures with a value of $117,000 into 9,368 shares (2,586 debentures with a value of $258,000 into 20,688 shares in 2011).

(b) On November 4, 2011, Boralex announced its intention to carry out a normal course issuer bid (the "Bid"). Under the twelve-month Bid from November 8, 2011 to November 7, 2012, Boralex was authorized to buy back up to 250,000 Class A shares, or approximately 0.66% of the 37,725,787 issued and outstanding Class A shares of Boralex as at October 31, 2011. All buybacks were carried out through the Toronto Stock Exchange, and the repurchased shares were cancelled. As at December 31, 2012, 900 shares were repurchased by the Corporation under the Bid. The Bid was not renewed.

We recall that in 2010, Boralex carried out a normal course issuer bid. Under the twelve-month bid from September 1, 2010 to August 31, 2011, Boralex was authorized 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. As at December 31, 2011, 59,400 shares were repurchased by the Corporation under the 2010 bid.

(c) The Corporation has a stock option plan as disclosed in note 17.

Note 17.

Stock-Based Compensation

The Corporation has a stock option plan for the benefit of directors, senior management and certain key employees under which 3,500,000 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, the options granted from 2004 to 2011 cannot be exercised if the market value of the share is lower than the carrying amount on the option grant date. All the options have a ten-year term. This plan has been determined to be equity settled.

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

	2012		2011	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding - beginning of year	1,804,845	9.07	1,547,696	9.17
Granted	257,387	7.96	257,149	8.50
Expired	(18,021)	8.63	—	—
Cancelled	(66,188)	8.80	—	—
Outstanding - end of year	1,978,023	8.94	1,804,845	9.07
Options exercisable - end of year	1,126,335	9.72	850,380	8.68

The following options were outstanding as at December 31, 2012:

	Options outstanding		Options exercisable		
Granted in	Number of options	Exercise price	Number of options	Exercise price	Year of expiry
2004	48,042	4.35	48,042	4.35	2,014
2005	336,138	6.41	336,138	6.41	2,015
2006	296,434	9.60	296,434	9.60	2,016
2007	151,745	13.30	151,745	13.30	2,017
2008	130,050	17.29	130,050	17.29	2,018
2009	315,844	7.14	—	—	2,019
2010	213,322	9.20	106,661	9.20	2,020
2011	229,061	8.50	57,265	8.50	2,021
2012	257,387	7.96	—	—	2,022
	1,978,023	8.94	1,126,335	9.72	

The fair value of each option granted was determined using the Black-Scholes model. The assumptions used to calculate the fair values of options are detailed below:

	2012	2011
Price of shares on grant date	8.03	8.58
Exercise price	7.96	8.50
Expected annual dividend	0%	0%
Expected useful life	7 years	7 years
Expected volatility	30.17%	42.93%
Risk-free interest rate	2.45%	3.64%
Weighted average fair value per option	3.54	4.33

Determining the volatility assumption is based on a historic volatility analysis over a period equal to the options' lifetime.

The Corporation applies the fair value method of accounting for options granted to officers and employees. These amounts are recorded under *Administrative* and *Contributed surplus*. An $839,000 compensation expense in respect of the stock option plans was recognized for fiscal 2012 ($1,078,000 in 2011).

Note 18.
Other Comprehensive Loss

							2012
		Cash flow hedges					
	Translation adjustments	Hedges Interest rate	Hedges Commodities	Hedges Foreign currency	Cash flow Hedges - Joint venture	Available-for-sale financial asset	Total
Balance - beginning of year	(9,636)	(40,501)	(4,032)	(300)	(9,882)	(1,629)	(65,980)
Change in fair value	(1,592)	(11,055)	(3,745)	—	(4,088)	(48)	(20,528)
Reclassification to net loss	—	4,943	9,237	346	—	968	15,494
Taxes	—	2,615	(1,460)	(46)	1,087	—	2,196
Balance - end of year	(11,228)	(43,998)	—	—	(12,883)	(709)	(68,818)

								2011
			Cash flow hedges					
	Discontinued operations	Translation adjustments	Hedges Interest rate	Hedges Commodities	Hedges Foreign currency	Cash flow Hedges - Joint venture	Available-for-sale financial asset	Total
Balance - beginning of year	2,021	(14,533)	(9,853)	(828)	(785)	—	(727)	(24,705)
Change in fair value	(1,883)	4,897	(46,586)	(6,763)	339	(13,461)	(278)	(63,735)
Reclassification to net earnings	(1,170)	—	3,718	2,427	(105)	—	(624)	4,246
Reclassification to statement of financial position	—	—	—	—	198	—	—	198
Taxes	1,032	—	12,220	1,132	53	3,579	—	18,016
Balance - end of year	—	(9,636)	(40,501)	(4,032)	(300)	(9,882)	(1,629)	(65,980)

Note 19.
Non-controlling Shareholders

In May 2012, the Corporation received capital subscriptions of $324,000 and $92,000 respectively from its partners Témiscouata RCM and Côte-de-Beaupré RCM, which each hold a 49% interest in wind power projects currently under development in their respective Québec regional county municipality. In August 2012, the Corporation received an $81,000 capital subscription from its partner Côte-de-Beaupré RCM.

On June 28, 2012, the Corporation received a $17,708,000 (€13,735,000) capital subscription from its European partner. This partner's ownership interest in the Corporation's European operations, Luxembourg-based subsidiary Boralex Europe S.A., increased 5.32% to 25.33%. The initial agreement entered into in December 2009 provided the partner with the option to increase its capital subscription to a maximum of €33,000,000. To date, the maximum amount has been contributed. The excess of proceeds over the carrying amount from the partial sale of the subsidiary Boralex Europe S.A. amounting to $6,286,000 was recognized under *Retained earnings* and *Other comprehensive loss*.

On December 27, 2012, an additional capital subscription amounting to $4,308,000 (€3,320,000) was received from the European partner.

Current assets, non-current assets, current liabilities, non-current liabilities, revenues, net loss and comprehensive loss and cash flows pertaining to subsidiary Boralex Europe S.A. are detailed as follows:

	As at December 31, 2012	As at December 31, 2011
Current assets	40,480	33,002
Non-current assets	359,914	255,263
TOTAL ASSETS	400,394	288,265
Current liabilities	44,260	37,829
Non-current liabilities	269,384	220,901
TOTAL LIABILITIES	313,644	258,730
NET ASSETS	86,750	29,535

	2012	2011
Revenues	65,668	56,498
NET LOSS	(145)	(2,004)
COMPREHENSIVE LOSS	(3,575)	(6,191)
Net cash flows related to operating activities	31,569	15,076
Net cash flows related to investing activities	(59,660)	(17,264)
Net cash flows related to financing activities	27,505	(2,705)
Translation adjustments on cash and cash equivalents	(261)	(711)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(847)	(5,604)
CASH AND CASH EQUIVALENTS - END OF YEAR	14,057	14,904

Note 20.

Expenses by Nature

Operating and Administrative Expenses

	2012	2011
Raw material and consumables	30,432	32,800
Maintenance and repairs	12,736	12,078
Employee benefits	16,642	16,519
Rental expenses, taxes and permits	9,038	11,760
Other operating expenses	5,065	9,330
Professional fees	5,513	4,708
Other administrative expenses	3,041	3,081
	82,467	90,276

Employee Benefits

	2012	2011
Current salaries and benefits	14,535	13,841
Other post-employment benefits	1,268	1,600
Share-based benefits	839	1,078
	16,642	16,519

Note 21.

Dispute Settlement

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

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

Note 22.

Sale of Assets and Other Losses (Gains)

On April 18, 2012, the Corporation completed the sale of the Dolbeau thermal power station to Resolute Forest Products for a cash consideration of $5,000,000, with an immediate transfer of possession.

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

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

At the time of sale, no loss was recognized in respect of those assets, as they were sold at their net carrying amount.

Other losses (gains) are detailed in the following table:

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

(a) On September 28, 2012, Boralex sold 75,000 common shares of Resolute Forest Products ("Resolute") at a net unit price of $12.88. The sale of those shares in the market generated a net loss on disposal of $971,000. As at December 31, 2012, Boralex held 229,670 shares valued at $13.10. Note that in February 2011, Boralex sold 784,796 common shares of Resolute at a net unit price of $26.50. The sale of said shares in the market generated a gain on disposal of $585,000.

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

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

Note 23.

Financing Costs

	Note	2012	2011
Interest on non-current debt, net of the impact of interest rate swaps	(a)	30,839	31,649
Interest on convertible debentures		19,048	18,853
Interest and other interest income		(4,357)	(3,060)
Amortization of borrowing costs		2,244	2,085
Other interest and banking fees		1,658	996
		49,432	50,523
Interest capitalized to qualifying assets	(b)	(153)	(859)
		49,279	49,664

(a) Interest expense on finance leases was $185,000 for fiscal 2012 ($309,000 in 2011).

(b) The weighted average rate for the capitalization of borrowing costs to qualifying assets was 3.20% per annum (3.62% per annum in 2011).

Note 24.

Discontinued Operations

On December 20, 2011, the Corporation closed the sale of its U.S. wood-residue thermal power stations, with a total installed capacity of 186 MW* for a consideration of $89,428,000 (US$86,798,000), plus the sales proceeds of RECs realized by these power stations during fiscal 2011. During the first quarter of 2012, the Corporation recorded REC revenues totalling $3,789,000 (US$3,813,000) in respect of the balance of RECs generated in 2011.

In addition, under the terms of the transaction, Boralex will collect 50% of REC sales proceeds in excess of the defined price thresholds for 2012, 2013 and 2014, inclusively. In 2012, the Corporation recognized $1,577,000 (US$1,592,000) in REC revenues under that clause.

The assets and liabilities sold and the calculation of the loss on sale of assets for the year ended December 31, 2011 are detailed as follows:

Working capital	7,519
Property, plant and equipment	79,796
Net value of assets sold	87,315
Consideration received, net of transaction costs of $2,364,000	87,064
Loss on sale of assets	(251)

Net earnings from discontinued operations are detailed as follows:

	2012	2011
Revenues from energy sales	5,366	61,526
Expenses	116	59,327
Pre-tax operating income from discontinued operations	5,250	2,199
Income tax expense	2,066	54
Net operating income	3,184	2,145
Loss on sale of assets	—	251
Other gains	(537)	—
Income tax recovery attributable to sale of assets	—	(3,595)
Net gain on sale of assets	(537)	(3,344)
Net earnings from discontinued operations	3,721	5,489

Cash flows related to discontinued operations are detailed as follows:

	2012	2011
Net cash flows related to operating activities	(3,642)	8,251
Net cash flows related to investing activities	—	(545)
Consideration received on sale, net of transaction costs	—	87,064
Cash related to discontinued operations, including proceeds on disposal	(3,642)	94,770

Note 25.
Net Earnings (Loss) per Share

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

(in thousands of Canadian dollars, except per share amounts and number of shares)	2012	2011
Net earnings (loss) attributable to shareholders of Boralex	(5,115)	2,883
Less:		
Net earnings from discontinued operations	3,721	5,489
Net loss from continuing operations attributable to shareholders of Boralex	(8,836)	(2,606)
Weighted average number of shares-basic	37,729,137	37,752,670
Net loss per share from continuing operations attributable to shareholders of Boralex-basic	($0.24)	($0.07)
Net earnings per share from discontinued operations-basic	$0.10	$0.15
Net earnings (loss) per share attributable to shareholders of Boralex-basic	($0.14)	$0.08

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

(in thousands of Canadian dollars, except per share amounts and number of shares)	2012	2011
Net earnings (loss) attributable to shareholders of Boralex	(5,115)	2,883
Less:		
Net earnings from discontinued operations	3,721	5,489
Net loss from continuing operations attributable to shareholders of Boralex	(8,836)	(2,606)
Weighted average number of shares	37,729,137	37,752,670
Dilutive effect of stock options	110,387	68,018
Weighted average number of shares-diluted	37,839,524	37,820,688
Net loss per share from continuing operations attributable to shareholders of Boralex - diluted	($0.24)	($0.07)
Net earnings per share from discontinued operations-diluted	$0.10	$0.15
Net earnings (loss) per share attributable to shareholders of Boralex - diluted	($0.14)	$0.08

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

	2012	2011
Convertible debentures excluded due to their anti-dilutive effect	19,586,028	19,589,264
Stock options excluded due to their anti-dilutive effect	1,020,612	1 088 871

Note 26.
Change in Non-cash Items Related to Operating Activities

	2012	2011
Decrease (increase) in:		
Trade and other receivables and Available-for-sale financial asset	5,759	31,626
Inventories	(719)	853
Prepaid expenses	212	(241)
Increase (decrease) in:		
Trade and other payables and Current income tax liability	(6,471)	(20,347)
	(1,219)	11,891

Note 27.

Financial Instruments

The classification of financial instruments as at December 31, 2012 and 2011, complete with the respective carrying amounts and fair values, is as follows:

	As at December 31, 2012		As at December 31, 2011	
	Carrying amount	Fair value	Carrying amount	Fair value
OTHER LIABILITIES				
Non-current debt	529,449	556,618	515,073	538,834
Convertible debentures	244,749	259,434	244,866	253,435

The fair value of the derivative financial instruments designated as cash flow hedges as at December 31, 2012 and 2011 is as follows:

	As at December 31, 2012	As at December 31, 2011
OTHER CURRENT FINANCIAL LIABILITIES		
Financial swaps - commodities	—	6,780
Financial swaps - interest rates	25,508	22,977
	25,508	29,757
OTHER NON-CURRENT FINANCIAL LIABILITIES		
Financial swaps - interest rates	24,698	14,273
	24,698	14,273

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

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

The fair value of non-current debt is essentially based on the calculation of discounted cash flows. Discount rates were determined based on local government bond yields adjusted for the risks specific to each of the borrowings and for credit market liquidity conditions. The convertible debentures and available-for-sale financial asset are traded on the stock exchange and their fair values are based on the prices as at December 31, 2012.

As at December 31, 2012	Maturity	Rate (1)	Discount rate	Fair value
Master agreement - wind farms (France)	2017-2022	5.02	5.02	161,042
Term loan payable - Nibas wind farm (France)	2016	5.00	2.49	5,227
Term loan payable - St-Patrick wind farm (France)	2025	5.02	5.02	47,448
Finance leases (France)	2012-2015	4.58	2.64	3,284
Term loan payable - Ocean Falls power station	2024	6.55	4.43	11,390
Term loan payable - Thames River wind farms	2031	7.05	5.30	200,122
Canadian senior secured note	2014	6.63	3.10	37,948
U.S. senior secured note	2013	6.23	2.72	72,253
Term loan payable - solar power station (France)	2025-2028	3.96	2.33	13,189
Other debts	—	—	—	4,715
Convertible debentures	2017	6.75	—	259,434

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

Financial Swaps - Interest Rates

Cash flows are discounted using a curve that reflects the credit risk of the Corporation or the counterparty, as applicable. The following table summarizes the Corporation's commitments under interest rate swaps as at December 31, 2012:

As at December 31, 2012	Currency	Fixed-rate payer	Floating-rate receiver	Maturity	Current notional	Fair value
Financial swaps - interest rates	EUR	3.295%-5.155%	6-month EURIBOR	2015-2028	145,690	(24,698)
Financial swaps - interest rates	CAD	4.61%-4.66%	3-month CDOR	2031	125,000	(25,508)

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 statement of financial position are classified according to the following hierarchy of levels:

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

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

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

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

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

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

		Fair value hierarchy levels		
	As at December 31, 2011	Level 1	Level 2	Level 3
FINANCIAL ASSETS				
Available-for-sale financial asset	2,208	2,208	—	—
	2,208	2,208	—	—
OTHER LIABILITIES				
Non-current debt	538,834	—	538,834	—
Convertible debentures	253,435	253,435	—	—
	792,269	253,435	538,834	—
FINANCIAL LIABILITIES				
Financial swaps - commodities	6,780	—	6,780	—
Financial swaps - interest rates	37,250	—	37,250	—
	44,030	—	44,030	—

Note 28.

Financial Risks

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

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

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

On December 31, 2012, 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 $850,000 ($755,000 in 2011) increase or decrease, respectively, in the Corporation's net loss for the year ended December 31, 2012, whereas *Other comprehensive loss* would have increased or decreased by a net after-tax amount of $5,260,000 ($4,373,000 in 2011), respectively.

Price Risk

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

As at December 31, 2012, 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, most of which are subject to partial or complete indexation clauses based on inflation. Accordingly, only 4% of Boralex's installed capacity is exposed to this risk.

On December 31, 2012, an additional 5% rise or fall in electricity prices, assuming that all other variables had remained the same, would have resulted in a $75,000 ($603,000 in 2011) increase or decrease, respectively, in the Corporation's net loss for the twelve-month period ended December 31, 2012, whereas *Other comprehensive loss* would have been unchanged (increased or decreased by a net after-tax amount of $131,000, respectively, in 2011).

Interest Rate Risk

In Europe, the master agreement and term loans for the St-Patrick wind farm and solar power station in France, together with a portion of certain finance leases, bear interest at variable rates. To mitigate interest rate risk, the Corporation has entered into interest rate swaps to fix the interest rate on 74%-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 EURIBOR and pays fixed amounts at rates ranging from 3.30% to 5.16%. Since the credit is drawn gradually 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. These instruments have allowed the Corporation to reduce the percentage of variable rate debt from 40% to 3%.

As at December 31, 2012, the nominal balance of these swaps stood at $191,116,000 (€145,690,000) ($168,692,000 (€127,865,000) in 2011) while their unfavourable fair value was $24,698,000 (€18,828,000) ($14,273,000 (€10,819,000) in 2011). These swaps mature from 2015 to 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 loss* until the corresponding hedged item is recognized in earnings (loss). The contracts are then recognized in earnings (loss) as an adjustment to *Financing costs*. Over the next 12 months, the Corporation expects to reclassify an approximate pre-tax expense of $5,685,000 ($3,149,000 in 2011) from *Other comprehensive loss* to earnings (loss).

The wind power projects in Côte-de-Beaupré and the municipality of Témiscouata, which the Corporation intends to build from 2013 to 2015, also have interest rate risk exposure. As at December 31, 2012, with a view to mitigating the effects of changes in future rates, the Corporation held two interest rate financial swaps designated as hedges of variable interest rates under the anticipated financing programs. These instruments were formerly designated as hedges of variable interest rates under the Seigneurie de Beaupré project. When financing closed in November 2011, the hedge relationship was terminated, and the financial swaps were redesignated. The $34,199,000 unrealized loss accrued to that point in *Other comprehensive loss* will be recognized in net earnings (loss) over the life of the financing of the wind projects of the Joint Venture. Subsequent changes in fair value of the instruments will accrue in *Other comprehensive loss* until such time as the Corporation completes financing for the above-mentioned projects. As at December 31, 2012, the swaps had a notional balance of $125,000,000 ($125,000,000 in 2011) and an unfavourable fair value of $25,508,000 ($22,977,000 in 2011).

On December 31, 2012, a 5% rise or fall in interest rates, assuming that all other variables had remained the same, would have resulted in a $55,000 ($50,000 in 2011) decrease or increase, respectively, in the Corporation's net loss for the 12-month period ended December 31, 2012, whereas *Other comprehensive loss* would have increased or decreased by a net pre-tax amount of $3,955,000 ($1,707,000 in 2011).

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 that the Corporation serves in Canada and France are limited to monopolies. Steam generated in France is used in the papermaking process. Accordingly, the Corporation's client is in the private sector, which makes for a higher credit risk. The U.S. market is more deregulated, and the Corporation transacts some business through the New York State regional producers' association, NYISO, which enjoys a very high credit rating. In the U.S. market, the Corporation can also negotiate private agreements directly with electricity distributors - usually large corporations which typically have investment grade credit ratings. The Corporation regularly monitors the financial condition of these clients.

The Corporation's counterparties for derivative financial instruments, as well as cash and cash equivalents and restricted cash, consist mainly of large corporations. Before entering into a derivative transaction, the Corporation analyzes the counterparty's credit rating and assesses the overall risk based on the counterparty's weighting in the Corporation's portfolio.

Where these analyses return unfavourable results because the partner's credit rating has changed significantly or its portfolio weighting has become too high, the Corporation does not pursue the transaction. Furthermore, if a company does not have a public credit rating, the Corporation assesses the risk and may require financial guarantees.

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, 2012, the Corporation also had a revolving credit facility with an authorized amount of $60,000,000 under which letters of credit totalling $7,011,000 had been issued, as well as a master agreement for combined financing of several wind farms in France under which letters of credit amounting to $13,110,000 (€9,994,000) had been issued.

The contractual maturities of the Corporation's non-derivative financial liabilities and derivative financial instruments as at December 31, 2012 and 2011 are detailed in the following tables:

		Undiscounted cash flows (principal and interest)				
As at December 31, 2012	Carrying amount	Under 1 year	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total
Non-derivative financial liabilities						
Trade and other payables	46,945	46,945	—	—	—	46,945
Non-current debt	529,449	127,770	89,524	152,044	368,646	737,984
Convertible debentures	244,749	16,521	16,521	41,300	—	74,342
Derivative financial instruments						
Financial swaps - interest rates	50,206	7,446	9,427	22,641	19,001	58,515
	871,349	198,682	115,472	215,985	387,647	917,786

		Undiscounted cash flows (principal and interest)				
As at December 31, 2011	Carrying amount	Under 1 year	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total
Non-derivative financial liabilities						
Trade and other payables	34,209	34,209	—	—	—	34,209
Non-current debt	515,073	53,457	123,197	173,499	377,651	727,804
Convertible debentures	244,866	16,529	16,529	49,587	8,264	90,909
Derivative financial instruments						
Financial swaps - commodities	6,780	6,963	—	—	—	6,963
Financial swaps - interest rates	37,250	3,211	5,724	19,040	17,034	45,009
	838,178	114,369	145,450	242,126	402,949	904,894

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 reporting date. Since these indices are highly volatile, the undiscounted cash flows presented could vary significantly until realized.

Note 29.

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, borrowings, 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 its 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 non-current 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, 2012 and 2011 and at all times during the years then ended, the Corporation was in compliance with its minimum ratio commitments. The Corporation is not subject to any regulatory capital requirements.

The Corporation's capital management objectives have remained unchanged from the previous year. The Corporation relies mainly on the net debt ratio for capital management purposes. 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.

For calculation purposes, net debt is defined as follows:

	As at December 31, 2012	As at December 31, 2011
Non-current debt	423,616	479,525
Current portion of debt	98,570	26,659
Borrowing costs, net of accumulated amortization	7,263	8,889
Less:		
Cash and cash equivalents	(107,138)	(144,703)
Restricted cash*	(5,063)	(552)
Net debt	417,248	369,818

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

The Corporation defines total book capitalization as follows:

	As at December 31, 2012	As at December 31, 2011
Total equity	342,369	328,878
Net debt	417,248	369,818
Convertible debentures	226,299	223,347
Convertible debenture issuance costs, net of accumulated amortization	4,164	4,710
Deferred taxes on convertible debentures	5,158	5,158
Imputed interest calculated on convertible debentures	(5,251)	(2,728)
Total book capitalization	989,987	929,183

Based on these definitions, the Corporation's performance relative to its capital management objectives was as follows:

	As at December 31, 2012	As at December 31, 2011
Net debt	417,248	369,818
Total book capitalization	989,987	929,183
Net debt ratio	42.1%	39.8%
Cash and cash equivalents	107,138	144,703
Restricted cash	5,063	18,288
Cash and cash equivalents available	112,201	162,991

At present, the Corporation has a net debt ratio of 42.1% and a long-term goal of keeping it below a ratio of approximately 40%. Analysis of these ratios must take into account changes in items such as *Other comprehensive loss*. The Corporation expects to be close to that target after the Québec wind power projects are deployed. Furthermore, the Corporation would tolerate a ratio of up to 50% were a significant project to warrant it, but would strive to reduce said ratio within a 24-month period.

Note 30.

Commitments and Contingencies

In addition to the commitments of the Joint Venture discussed in note 10, the Corporation entered into the following transactions:

Energy Sales Contracts

(a) In the United States, under a long-term contract expiring in 2027, the Corporation is committed to selling 100% of the power output of its Middle Falls hydroelectric power station. This contract provides for annual indexation on the total price through to 2013. As of January 1, 2014, a price equal to the 90% of the market price is stipulated in the contract, which will apply downward pressure on the power selling price. This decline will be offset by the decrease lease payment to 30% of gross revenues as of January 1, 2014.

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 in 2034 and 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
2013 - 2017	85.45 – 80.58	87.04 – 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 2015 and 2030. These contracts provide for annual indexation based on the Consumer Price Index ("CPI"). However, under long-term contracts for the power stations in Québec (except for the Forces Motrices St-François power station, which is indexed at annual fixed rate), the indexation rate on the total price should not be lower than 3% or higher than 6%.

(c) For the wind power stations and the solar power facility in France, the Corporation is committed to selling 100% of its power output under long-term contracts maturing between 2017 and 2031. The contracts provide for annual indexation on the total price, based on changes in hourly labour costs and industry activity levels.

(d) Steam production from Blendecques (France) is sold under a long-term contract expiring in 2022.

(e) In 2008, the Corporation entered into a power sales contract with Hydro-Québec for a capacity of 68 MW for the third Seigneurie de Beaupré wind farm. The Corporation is cooperating with a subsidiary of Gaz Métro LP for this project and each partner owns a 50% interest. The contract has a 20-year term, commencing from commissioning of the wind farm. The contract provides for annual CPI indexing over 20% of the selling price.

(f) On May 24, 2011, the Corporation entered into two power sales contracts with Hydro-Québec for a total output of 50 MW for the two community wind farm projects developed jointly with two Québec Regional County Municipalities: Témiscouata RCM and La Côte-de-Beaupré RCM. These power sales contracts have 20-year terms, which will begin when the wind farms are commissioned, and will be annually indexed over 20% of the selling price.

(g) Each of the three wind power projects under development in France with a 56 MW capacity acquired at the time of the June 28, 2012 business combination is covered by a 15-year power sales contract. These contracts begin when the wind farms are commissioned, and the selling price will be indexed annually on the total price.

(h) The La Vallée wind power project in France with a 32 MW capacity acquired on November 8, 2012 is covered by 15-year power sales contracts held by the Corporation. These contracts begin when the wind farms are commissioned and the selling price will be indexed annually over the total price.

(i) The Jamie Creek wind power project in British Columbia with a 22 MW capacity acquired on October 25, 2012 is covered by a fixed-price 40-year power sales contract, including a 20-year renewal option. The contract will begin when the power station is commissioned.

Purchase and Maintenance Contracts

	Payments			
	Current portion	1 to 5 years	Over 5 years	**Total**
Purchase and maintenance contracts	5,468	17,891	41,203	64,562

(j) With respect to the wind power projects in France and in Canada, the Corporation has entered into maintenance contracts, including several turnkey agreements with suppliers such as Enercon, GE, Qcells, Gamesa, Nordex and Siemens. The contracts have initial periods of 5-15 years, requiring expenditures totalling $63,531,000, of which approximately $4,437,000 is payable in 2013.

(k) The Corporation has entered into equipment purchase agreements in connection with wind power projects in Québec and the solar power station in France. Net commitment cost totals $1,031,000 (€392,000, US$118,000 and $401,000). The majority of expenditures will fall in fiscal 2013.

Construction Contracts

	Payments			
	Current portion	1 to 5 years	Over 5 years	**Total**
Construction contracts	71,213	—	—	71,213

(l) For the wind power projects under development in France with a 56 MW capacity acquired at the time of the June 28, 2012 business combination, the Corporation has entered into construction and wind turbine installation contracts. Expenditures will be made according to the percentage of completion. As at December 31, 2012, the Corporation had net commitments of $15,768,000 (€12,020,000).

(m) For the Jamie Creek hydroelectric project in British Columbia with a 22 MW capacity acquired on October 25, 2012, the Corporation has entered into contracts for the construction and installation of the hydroelectric power station. Expenditures will be made according to the percentage of completion. As at December 31, 2012, the Corporation had net commitments of $20,341,000.

(n) For the La Vallée wind power project in France with a 26 MW capacity acquired on November 8, 2012, the Corporation has entered into contracts for construction and installation of wind turbines. Expenditures will be made according to the percentage of completion. As at December 31, 2012, the Corporation had net commitments of $35,104,000 (€26,761,000).

Operating Lease on Property

	Payments			
	Current portion	1 to 5 years	Over 5 years	**Total**
Land lease contracts	2,046	11,635	33,214	46,895

(o) To operate the Middle Falls power station in the United States, the Corporation leases the land on which the Niagara Mohawk Power Corporation ("NMPC") power station is located under a lease expiring in 2027. In 2012, the Corporation paid $380,000 (US$380,000) ($365,000 (US$369,000) in 2011) in lease payments, which will be indexed by 3% in 2013. From 2014 onwards, lease payments will be variable, totalling 30% of the power station's gross revenue.

(p) For the Thames River Project, the Corporation leases land on which wind turbines are installed under 27 lease agreements with 20-year terms, renewable once only at the Corporation's option for the same lease terms. The total lease amount under all these agreements is estimated at approximately $650,000.

(q) The land on which the wind power stations and the solar power facility are located in France is leased under emphyteutic leases over terms of 28-99 years. Payments under these leases are due annually and are indexed each year, based on the Consumer Price Index and the Construction Cost Index published by the National Institute of Statistics and Economic Studies ("INSEE"), and represent an annual commitment of $1,049,000 (€800,000).

(r) The Corporation leases the sites on which six hydroelectric power stations are located in Canada, as well as the water rights required to operate them. Under the terms of these agreements, expiring from 2015 to 2020, the Corporation's lease payments are based on power generation levels.

The land on which the Corporation's U.S. Hudson Falls and South Glens Falls hydroelectric facilities are located is leased 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 lease payments for years 26 through 40 of the lease agreement because of uncertainty surrounding the amounts. Lease 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 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 lease payments for South Glens Falls, as of December 31, 2012 are as follows:

Current portion	305
1 to 5 years	2,845
Over 5 years	7,655
Total	10,805

Other

(s) On August 25, 2011, Boralex obtained two amended building permits for the expansion of the Avignonet-Lauragais site comprising two wind turbines. These permits have been on appeal since October 12, 2011. This decision does not jeopardize the power sales contract with EDF or operation of the expansion. Furthermore, this situation does not place Boralex in default under any credit agreement.

(t) Hydroelectric power stations in Québec are subject to the *Dam Safety Act* and the regulations thereunder, 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 the Act. Application of the Act is expected to be phased in. Once the Corporation's recommendations are accepted by the *Ministère du Développement durable, de l'Environnement, de la Faune et des Parcs*, an action plan will be prepared reflecting the relative urgency of the work required. The St-Lambert power station is in compliance with the Act as at December 31, 2012 but is not affected as it is located on the St. Lawrence Seaway, which is not subject to this legislation. With regard to the facilities of those power stations, excluding Buckingham, the Corporation expects that investments of $275,000 will be required to comply with the Act.

With regards to the Buckingham facility, during fiscal 2013, Boralex expects to commence work, estimated at $18,000,000, in order to comply with this Act. Concurrently with this work, management is still reviewing various investment scenarios aiming to increase the power station's current installed capacity by up to 10 MW.

(u) Following the motion filed on August 30, 2010 and the subsequent ruling of October 28, 2010, O'Leary Funds Management L.P. et al. filed an amended motion with the Superior Court of Québec on January 11, 2011. This motion challenges the legality of the November 1, 2010 business combination between Boralex and the Fund and, consequently, claims damages of nearly $14,000,000. The Corporation considers that this procedure has no basis in fact or in law and is defending itself vigorously. Therefore, the Corporation has not recorded any provision in respect of this litigation. Moreover, the Corporation filed its defence on September 12, 2011, including a counterclaim of nearly $1,000,000.

(v) Subsequent to the December 20, 1996 motion against one of the Corporation's subsidiaries for charges claimed under Section 68 of the *Watercourses Act*, as a holder of hydraulic power, the claim by Attorney General of Québec amounts to $3,190,000. The Corporation has begun negotiations to settle the dispute and believes a settlement can be reached in the following year. In light of the foregoing, the Corporation has recorded a provision of $1,024,000 to cover this dispute as at December 31, 2012 as a result of the amounts that the Corporation expects to recover under its lease.

Note 31.

Related Party Transactions

Related parties include the Corporation's subsidiaries, Joint Venture and senior executives.

Details of related party transactions are as follows:

	2012	2011
REVENUES		
Revenues from energy sales		
Cascades Inc. - Entity having significant influence over the Corporation	17,801	20,333
Other income		
Fiducie RSP Hydro - Entity controlled by a director	556	604
COSTS AND OTHER EXPENSES		
Operating expenses		
Cascades Inc. - Entity having significant influence over the Corporation	758	645
Salaries and other costs recharged to the Joint Venture	1,828	787
Capitalized expenses		
Cascades Inc. - Entity having significant influence over the Corporation	294	8
Interest income		
Fiducie RSP Hydro - Entity controlled by a director	(38)	(36)

These transactions were made on terms equivalent to those that prevail under normal terms in arm's length transactions.

Receivables and payables arising from the above transactions at the end of the fiscal year are as follows:

	As at December 31, 2012	As at December 31, 2011
RELATED PARTY RECEIVABLES		
Cascades Inc. - Entity having significant influence over the Corporation	2,248	4,598
Fiducie RSP Hydro - Entity controlled by a director	574	943
Joint Venture	278	272
	3,100	5,813
RELATED PARTY PAYABLES		
Cascades Inc. - Entity having significant influence over the Corporation	1,506	1,250
	1,506	1,250

Related party receivables and payables are due between 30 and 45 days following the sale or purchase. Receivables are unsecured and bear interest when past due. No allowance for doubtful accounts has been recognized in respect of receivables.

Executive Compensation

Compensation allocated to senior executives and to members of the Board of Directors is detailed in the following table:

	2012	2011
Current salaries and benefits	1,599	1,754
Other long-term benefits	1,194	1,408
Stock-based compensation	632	797
	3,425	3,959
Termination benefit for an executive	900	—
	4,325	3,959

Note 32.

Seasonal and Other Cyclical Factors

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

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

Wind

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

Hydroelectricity

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

Thermal

Boralex owns and operates two thermal power stations for an aggregate 49 MW* of installed capacity. Of the two, our Senneterre power station in Québec (Canada) is fuelled by wood-residue and is covered by a Hydro-Québec power sales contract expiring in 2027. An agreement was recently entered into with Hydro-Québec at the end of 2011 under which power generation at the Senneterre power station is limited to six months per year during 2012 and 2013, from December to March and in July and August. Given the terms of the agreement, the power station's results are not expected to be affected, provided the facility operates at the projected level during its months in operation.

Boralex also operates a natural gas-fired power station located in Blendecques, France. The current sales contract with EDF, which expires in November 2013, contains a clause that caps electricity prices when the power station operates from April to October. When the cost of natural gas is high, the profit margin for this period is not sufficient to offset the ceiling on electricity prices. The cogeneration equipment may therefore be shut down, in which case the Corporation supplies its steam client from an auxiliary boiler. Accordingly, since 2005, the power station has operated its cogeneration equipment during the five months from November to March. Note that steam production is quite stable from quarter to quarter, as it is driven by client demand, which is relatively predictable and steady.

Solar

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

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

Note 33.

Segmented Information

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

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

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

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

	2012	2011
Net earnings (loss) attributable to shareholders of Boralex	(5,115)	2,883
Net earnings from discontinued operations	(3,721)	(5,489)
Non-controlling shareholders	(149)	(379)
Income tax recovery	(2,183)	(2,311)
Net loss on financial instruments	396	972
Foreign exchange loss (gain)	26	(961)
Financing costs	49,279	49,664
Impairment of property, plant and equipment and intangible assets	823	1,503
Other losses (gains)	971	(2,959)
Amortization	58,030	57,833
EBITDA	98,357	100,756

Information on Principal Clients

Revenue is allocated according to the client's country of domicile. In 2012 and 2011, the Corporation had four clients 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:

2012		2011	
% of sales attributable to one client	Segment(s)	% of sales attributable to one client	Segment(s)
30	Wind and thermal	27	Hydroelectric and thermal
22	Hydroelectric and thermal	22	Wind and thermal
17	Wind	16	Hydroelectric
13	Hydroelectric	14	Wind

Information by Operating Segment

	2012	2011	2012	2011
	Power production (MWh)		Revenues from energy sales	
	(Unaudited)	(Unaudited)		
Wind power stations	632,422	554,581	74,654	67,255
Hydroelectric power stations	572,513	703,612	47,748	56,319
Thermal power stations	310,170	469,835	56,355	68,975
Solar power station	6,316	3,227	2,683	1,476
	1,521,421	1,731,255	181,440	194,025
	EBITDA		Additions to property, plant and equipment	
Wind power stations	60,985	53,657	3,157	12,291
Hydroelectric power stations	36,752	41,623	3,939	3,718
Thermal power stations	14,558	20,638	423	3,765
Solar power station	2,312	1,330	720	13,409
Corporate and eliminations	(16,250)	(16,492)	2,081	1,236
	98,357	100,756	10,320	34,419
			As at December 31, 2012	As at December 31, 2011
Total assets				
Wind power stations			597,237	528,521
Hydroelectric power stations			382,515	366,099
Thermal power stations			84,480	101,683
Solar power station			20,779	23,586
Corporate			144,860	156,966
			1,229,871	1,176,855
Total liabilities				
Wind power stations			505,713	392,611
Hydroelectric power stations			148,477	143,439
Thermal power stations			26,914	29,581
Solar power station			20,931	21,043
Corporate			185,467	261,303
			887,502	847,977

Information by Geographic Segment

	2012	2011	2012	2011
	Power production (MWh)		Revenues from energy sales	
	(Unaudited)	(Unaudited)		
Canada	729,443	901,853	89,623	102,404
United States	343,294	466,381	26,375	35,145
France	448,684	363,021	65,442	56,476
	1,521,421	1,731,255	181,440	194,025
	EBITDA		Additions to property, plant and equipment	
Canada	40,783	43,494	6,750	16,469
United States	21,869	27,029	164	669
France	35,705	30,233	3,406	17,281
	98,357	100,756	10,320	34,419
			As at December 31, 2012	As at December 31, 2011
Total assets				
Canada			642,985	679,354
United States			186,491	209,003
France			400,395	288,498
			1,229,871	1,176,855
Non-current assets				
Canada			557,013	543,319
United States			145,604	156,631
France			359,914	255,496
			1,062,531	955,446
Total liabilities				
Canada			481,774	483,731
United States			109,541	122,827
France			296,187	241,419
			887,502	847,977

GENERAL **INFORMATION**

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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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1500 University Street, Suite 700
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Canada H3A 3S8
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 8, 2013, at 11:00 a.m., at the following address:

Cinéma Excentris
Fellini Room
3536 St-Laurent boulevard
Montréal, Québec
Canada H2X 2V1
Telephone : 514.847.9272
1 855.331.3303

ADDITIONAL INFORMATION MAY BE OBTAINED FROM:

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Telephone: 514.985.1353
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BOARD OF DIRECTORS

ROBERT F. HALL
Chairman of the Board
Boralex Inc.

PATRICK LEMAIRE
President and Chief Executive Officer
Boralex Inc.

GERMAIN BENOIT (1) (4)
Chairman of the board
Capital Benoit Inc.

ALAIN DUCHARME (2) (4)
Consultant

EDWARD H. KERNAGHAN (3)
President
Principia Research Inc. and Kernwood Ltd

Vice President
Kernaghan Securities Ltd

BERNARD LEMAIRE
Director
Boralex Inc. and Cascades Inc.

RICHARD LEMAIRE (2)
President
Séchoirs Kingsey Falls Inc.

YVES RHEAULT (2) (4)
Corporate Director and Consultant

ALAIN RHÉAUME (3)
Founder and Managing Partner
Trio Capital Inc.

MICHELLE SAMSON-DOEL (1) (3)
President
Samson-Doel Group Ltd

Corporate Director

PIERRE SECCARECCIA (1)
Corporate Director

(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

PATRICK LEMAIRE
President and Chief Executive Officer

JEAN-FRANÇOIS THIBODEAU
Vice-President and
Chief Financial Officer

SYLVAIN AIRD
Vice-President, Europe and
Chief Legal Officer

HUGUES GIRARDIN
Vice-President, Development

DENIS AUBUT
General Manager, Operations

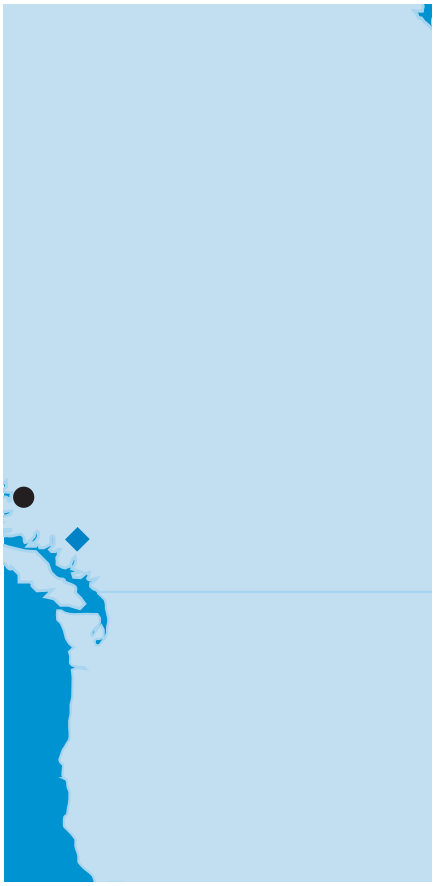
PATRICK DECOSTRE
General Manager, Boralex Europe

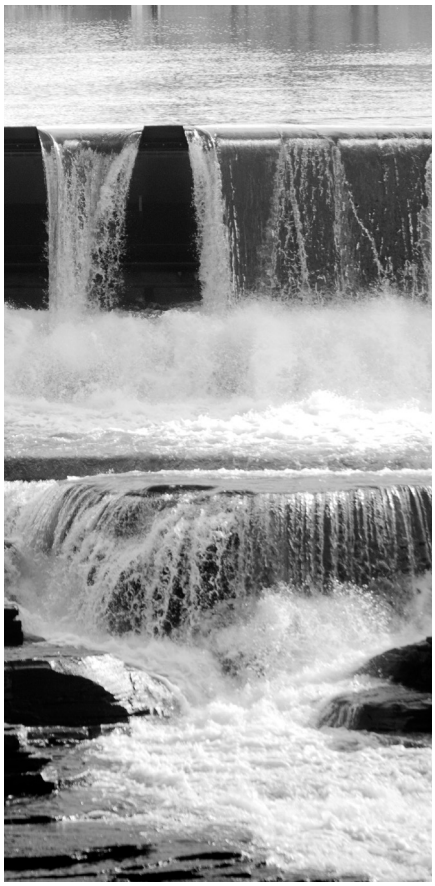
GUY D'AOUST
Director, Finance and Treasury

GUY GAGNON
Corporate Director, Human Resources

PATRICIA LEMAIRE
Director, Public Affairs and
Communications

GABRIEL OUELLET
Director, Biomass





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