



2011 ANNUAL REPORT

**BORALEX**

## Profile

Boralex is a power producer whose core business dedicated to the development and the operation of renewable energy power stations. Currently, the Corporation operates an asset base with an installed capacity of nearly 500 MW in Canada, the Northeastern United States and France. Boralex is also committed under power development projects, both independently and with European and Canadian partners, to add approximately 400 MW of power. With more than 200 employees, Boralex is known for its diversified expertise and in-depth experience in four power generation types — wind, hydroelectric, thermal and more recently, solar. Boralex's shares and convertible debentures are listed on the Toronto Stock Exchange under the ticker symbols BLX and BLX.DB, respectively. More information is available at [www.boralex.com](http://www.boralex.com) or [www.sedar.com](http://www.sedar.com).

## Table of content

1	2011 Highlights
4	Message to Shareholders
6	Management's Discussion and Analysis
56	Consolidated Financial Statements
63	Notes to Consolidated Financial Statements
120	General Information

# Financial Highlights

(in thousands of dollars, unless otherwise specified)

	2011	2010	2009 <sup>(1) (3)</sup>	2008 <sup>(1) (3)</sup>
<b>OPERATIONS</b>				
Revenues from energy sales	194,025	102,812	64,097	69,349
EBITDA <sup>(2)</sup>	100,756	39,414	29,500	41,103
Net earnings attributable to shareholders of Boralex	2,883	35,072	24,439	20,410
Net earnings (loss) from continuing operations attributable to shareholders of Boralex	(2,606)	23,414	10,515	6,130
Cash flows from operations <sup>(2)</sup>	54,240	14,761	19,198	27,632
<b>INVESTMENTS</b>				
Additions to property, plant and equipment	34,419	183,948	80,059	36,265
Development projects	1,620	2,046	10,337	5,617
Business acquisitions	700	40,953	53,758	5,781
<b>FINANCIAL POSITION</b>				
Cash and cash equivalents <sup>(4)</sup>	162,991	108,574	37,821	69,195
Property, plant and equipment	643,047	738,884	413,539	330,443
Total assets	1,176,855	1,245,507	663,767	622,954
Debt <sup>(5)</sup>	506,184	513,774	242,680	187,445
Convertible debentures	223,347	220,824	–	–
Total equity	328,878	367,689	347,061	363,525
<b>CLASS A SHARE DATA</b>				
Net earnings per share attributable to shareholders of Boralex (basic – in dollars)	0.08	0.93	0.65	0.54
Shareholders' equity per share outstanding at the end of the period (in dollars)	8.72	9.74	9.20	9.63
Weighted average number of shares outstanding (in thousands)	37,753	37,742	37,741	37,740
Shares outstanding at the end of the period (in thousands)	37,726	37,765	37,741	37,741
<b>RATIO</b>				
Net debt ratio <sup>(2)</sup>	39.8 %	40.9 %	37.8 %	25.2 %

(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 Canadian generally accepted accounting principles (GAAP) as defined under *Non-GAAP Measures*.

(3) In accordance with Canadian GAAP (Part V).

(4) Including restricted cash.

(5) Including non-current debt, current portion of debt and bank loans and overdraft.

## STOCK DATA *as at December 31, 2011*

Exchange: Toronto (TSX)

Securities and symbols:

Class A shares (BLX)

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

Conversion ratio of debentures into shares: 8 : 1

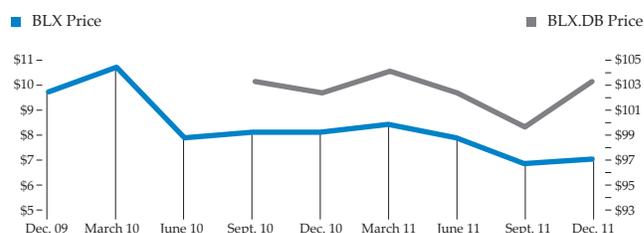
Principal Shareholder: Cascades Inc.

(35% of class A shares)

## TRADING ON CLASS A SHARES

Fiscal year ended	Shares issued and outstanding	High	Low	Closing price
December 31, 2011	37,726,427	\$9.45	\$5.85	\$7.13
December 31, 2010	37,765,139	\$10.74	\$7.28	\$8.11

## CHANGES IN MARKET PRICE (TSX) 2010 and 2011

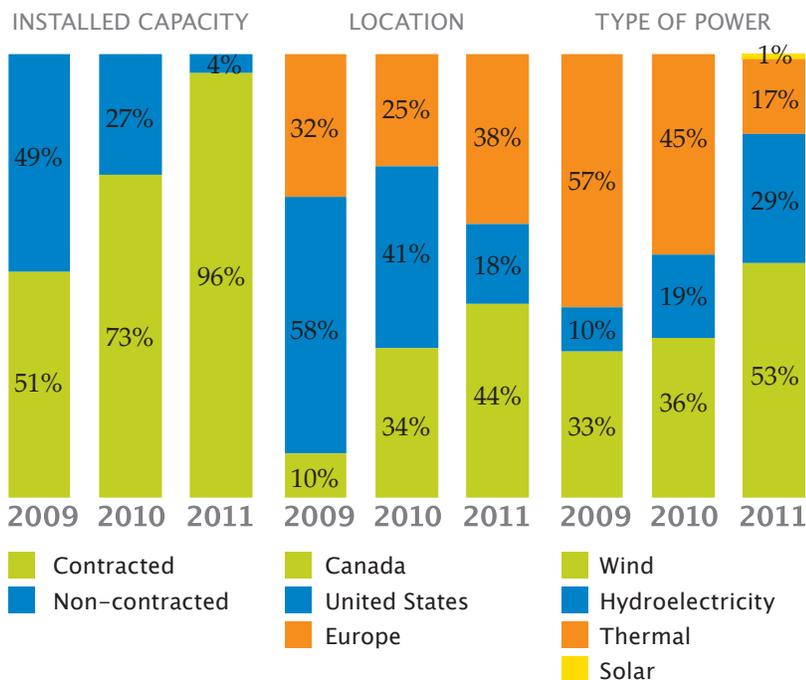


## TRADING ON CONVERTIBLE DEBENTURES

Fiscal year ended	Convertible debentures issued and outstanding	High	Low	Closing price
December 31, 2011	2,448,658	\$107.00	\$95.00	\$103.50
December 31, 2010	2,451,244	\$104.89	\$100.10	\$102.50

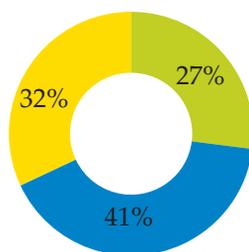
# FISCAL 2011 AT A GLANCE

Building on robust wind power expansion since 2009 and the 2010 takeover of the Fund, Boralex's 2011 entry into **solar power and the disposal of its wood-residue power stations in the U.S.** were milestones in its strategy to build a more balanced, higher value added asset portfolio to drive faster growth that is both profitable and sustainable.



## POWER PURCHASE AGREEMENTS REMAINING TERM (IN TERMS OF MWh)

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



# 2011 CONSOLIDATED FINANCIAL HIGHLIGHTS

Consolidated revenues and EBITDA from continuing operations of **\$194.0 million** and **\$100.8 million**, respectively, up **89%** and **156%** year over year, mainly due to the full-year contribution of the power stations acquired from the Fund and newly commissioned wind and solar power stations

Net earnings attributable to shareholders of Boralex of **\$2.9 million** or **\$0.08** per share

Capital investments of about **\$80 million** in 2011, primarily to develop the Seigneurie de Beaupré wind farms in Québec and commission Phase II at the Thames River site in Ontario as well as the Corporation's first wind power station in France

Cash flows from continuing operations of **\$66 million**

Proceeds of **US\$87 million** on the sale of wood-residue power stations totalling 186 MW

Cash and cash equivalents of **\$163 million** and total net debt ratio of **39.8%** as at December 31, 2011

# WIND

Production, revenues and EBITDA up 47%, 46% and 48%, respectively, driven by the full-year contribution of the Canadian and European sites commissioned in 2010 and early 2011, coupled with improved performance of existing assets in operation

EBITDA margin of 80% (79% in 2010)

Commissioning of the 50 MW Phase II and optimization of the 40 MW Phase I at the Thames River site: Boralex's first foray in the Canadian wind power market is a success.

Capital investments of \$108 million (Boralex's share: \$54 million) carried out by the joint venture charged with the development and December 2013 commissioning of the two first Seigneurie de Beaupré wind farms totalling 272 MW

Financing totalling \$725 million obtained by the joint venture

# HYDRO

Production, revenues and EBITDA up 114%, 115% and 120%, respectively, owing primarily to the full-year contribution of the seven power stations acquired by the Fund in 2010

EBITDA margin of 74% (72% in 2010)

# THERMAL

Production, revenues and EBITDA up 176%, 125% and 237%, respectively, arising from the addition of the Fund's power stations

EBITDA margin of 30% (20% in 2010)

Sale of the Dolbeau, Québec wood-residue cogeneration power station

Agreement entered into with Hydro-Québec to focus production at the Senneterre wood-residue power station during peak periods, with no adverse impact on results

\* continuing operations

# SOLAR

From June 17 to December 31, 2011, production of 3,227 MWh generating revenues and EBITDA of \$1.5 million and \$1.3 million, respectively, for a profit margin of 90%

## OBJECTIVE FOR 2015

Contracted capacity of **1,250 MW with 900 MW in operation**. Boralex is more aggressively targeting the acquisition of operational assets or advanced-stage development projects covered by long-term power sales contracts, mainly in the wind, hydro and solar power segments.

# Message to Shareholders

Fiscal 2011 marked another major milestone in Boralex's market positioning strategy of the past few years to lay the foundation of above-average growth in its industry. The objective: balanced growth that is both profitable and sustainable.

## **A more diversified energy portfolio generating stronger value added**

Building on our expansion initiatives, our development focus since 2009 has been largely on energy assets covered with long-term power sales contracts—with fixed and indexed pricing—while prioritizing renewable energies that deliver higher profit margins, particularly wind, hydro and solar power.

Our strategy truly took flight with stellar growth in wind power, which in under three years, has expanded from 108 MW in installed capacity solely in France to 251 MW in assets in operation in Canada and France, plus 391 MW in installed capacity under development by Boralex and its partners. The 2010 acquisition of the Fund was another key step, adding 190 MW to Boralex's installed and contracted operating base, including nearly 100 MW in excellent hydroelectric assets.

The main achievements of the past fiscal year were in the same development vein, including Boralex's first foray into solar power in June 2011, followed by the sale of its U.S. wood-residue power stations in December 2011. We recall that these facilities were not covered by sales contracts and had to sell their electricity on the Northeastern U.S. open market. These power stations faced significant challenges in the past few years owing to the sluggish U.S. economy. We believe the asset sale bolstered shareholder value, while generating roughly US\$81 million in cash that can be reinvested rapidly in order to grow our asset base faster in our target markets.

The strategic decisions of the past three years have substantially transformed Boralex's market position, enhancing the quality of our energy portfolio, smoothing revenue streams and lowering business risks. Between December 31, 2009 and 2011, Boralex's contracted portion of installed capacity in operation rose from 51% to 96%, ensuring higher, more predictable cash flows for future periods. With the gradual commissioning of our various development projects, this percentage will exceed 98% by 2015. Excluding Boralex's discontinued thermal operations, the larger contracted portion of our operations, coupled with the higher relative weightings of our wind and hydro power segments, boosted Boralex's EBITDA margin to over 50% in 2011. Over the last fiscal year, Boralex's continuing operations generated cash flows in excess of \$66 million.

## **Nearly \$500 million in capital investments over the next three years**

Ranking among France's largest, most experienced private wind power producers, Boralex has also carved out a major share of the wind power market here at home with its 90 MW Thames River wind farm commissioned in Ontario and has started construction at one of Canada's largest wind power facilities: the Seigneurie de Beaupré Wind Farms in Québec.

Commissioning of the Thames River wind farm was completed on budget and on time in early 2011. After three years of investments, this asset has maintained an excellent utilization rate and a performance in line with our expectations. The end result of savvy decision-making and in-depth skills of our team, this accomplishment paves the way for the successful commissioning in December 2013 of the first two Seigneurie de Beaupré wind farms totalling 272 MW.

These projects are on budget and on schedule. Created by Boralex and Gaz Métro to manage the Seigneurie de Beaupré project, the joint venture successfully arranged for \$725 million in financing in November 2011 amid turbulent economic conditions. Securing this world-class financing is a testament to the high quality of the Seigneurie de Beaupré Wind Farms, as well as the solid reputation Boralex has earned in international markets as both a credible promoter and producer of increasingly sizeable renewable energy assets.

We teamed with the same partner to begin developing our third wind power project at the Seigneurie de Beaupré site, with a capacity of 69 MW, expected to be commissioned in December 2014. In partnership with Québec regional county municipalities, Boralex is working on two other wind power projects in Québec totalling 50 MW, which should be commissioned by 2014 and 2015, respectively. One of the wind farms will be built on Seigneurie de Beaupré land.

By the end of 2015, a total capacity of 366 MW will be in operation at our outstanding Seigneurie de Beaupré site. Over a longer horizon, this site could practically double in size under potential Hydro-Québec requests for proposals for wind power. Meanwhile, we continue to keep a sharp eye out for opportunities to acquire wind power projects already covered by power contracts with Hydro-Québec, some of which could be built at the Seigneurie de Beaupré site. In addition, active exploration of the Ontario wind power market is still underway.

France remains a preferred development target in our wind power segment, in light of the market's special growth potential, Boralex's solid market position and its partnership with Cube Infrastructure Fund ("Cube"). This agreement provides Boralex with the leeway to make short-term acquisitions of sites already in operation or development projects in advanced phases for an additional installed capacity of 30 MW without requiring the Corporation to inject additional capital.

In 2011, Boralex commissioned its first solar power station, totalling 5 MW, in the south of France. The power station's performance to date has exceeded expectations, which reflects the quality of this first solar project in terms of the technology chosen, location, supplier reliability and advantageous terms and conditions, not to mention our team's growing expertise. We intend to continue improving our knowledge and expertise with respect to this emerging technology, which we believe has a bright future.

## **Objective for 2015: surpass an installed capacity of 1,250 MW**

As of the date hereof, Boralex aggregates an installed capacity of 670 MW, of which more than 450 MW is in operation with nearly 200 MW under development. Our goal by the end of 2015 is to grow our installed capacity to over 1,250 MW with at least 900 MW in operation.

Bolstered by over \$160 million in cash as at December 31, 2011 and our strategic partners in Canada and Europe, we continue to pursue potential acquisitions of renewable energy assets in operation and development projects covered by long-term power sales contracts. While maintaining a continuous technological watch with a focus on the North American market and certain European countries, our top priorities are the wind power segment in Québec, Ontario and France, the hydroelectric segment in Québec and British Columbia and the solar power segment in Ontario and France.

## **Create value through growth**

Boralex intends to stick to its integrated and structured development approach, based on a vision of sustainable value creation.

We believe that the best way to create superior and sustainable value for Boralex's shareholders is to move as quickly as possible to achieve the strongest possible market position in the highly promising, ever-changing industry of renewable energy production. As a result, we will continue deploying significant resources to seek and effectively seize market opportunities, and drive high growth for Boralex in sectors with attractive profit margins and steady and significant cash flows. As the debt contracted to expand our operational base is gradually paid down, we are convinced that Boralex's growth strategy will make it one of the most entrenched, highly diversified and most profitable producers in its industry.

To support this growth, we will specifically leverage the exceptional quality of our employees, our solid market reputation, our diversified asset portfolio with steady, predictable cash flows, our funnel of high-potential projects and our proven capacity to target and assess opportunities that drive shareholder value. We will also continue strengthening the Boralex business model, based on maintaining comprehensive in-house expertise in the development and operation of renewal energy producing assets, strong relationships with value-creating partners, responsible resource management and respectful dealings with all of the Corporation's stakeholders.

In a nutshell, Boralex will remain a solid and innovative growth company, driven by clear objectives and a long-term vision for its sources of production, its target markets and its approach to project development.

In closing, we extend our heartfelt thanks to all employees of Boralex, whose skills, energy, open-mindedness and loyalty are our greatest asset and the foundation of our future success. Last but not least, many thanks to the Board of Directors, our strategic and financial partners and Boralex's shareholders.

(s) Bernard Lemaire

**Bernard Lemaire**  
Executive Chairman of the Board

March 2012

(s) Patrick Lemaire

**Patrick Lemaire**  
President and Chief Executive Officer

# Management's Discussion and Analysis

FOR THE YEAR ENDED DECEMBER 31, 2011

## Table of contents

DESCRIPTION OF BUSINESS ..... 7

INTRODUCTORY COMMENTS TO MANAGEMENT'S DISCUSSION AND ANALYSIS..... 8

HIGHLIGHTS OF THE LAST THREE FISCAL YEARS..... 9

SEASONAL FACTORS..... 12

FINANCIAL HIGHLIGHTS..... 15

NON-GAAP MEASURES..... 17

ANALYSIS OF OPERATING RESULTS ..... 21

REVIEW OF OPERATING SEGMENTS..... 24

CASH FLOWS ..... 38

FINANCIAL POSITION ..... 40

OUTLOOK AND DEVELOPMENT OBJECTIVE ..... 42

FINANCIAL INSTRUMENTS..... 43

COMMITMENTS AND CONTINGENCIES ..... 44

RISK FACTORS AND UNCERTAINTIES ..... 48

CHANGE IN ACCOUNTING ESTIMATE..... 53

FUTURE CHANGES IN ACCOUNTING POLICIES..... 53

INTERNAL CONTROLS AND PROCEDURES ..... 55

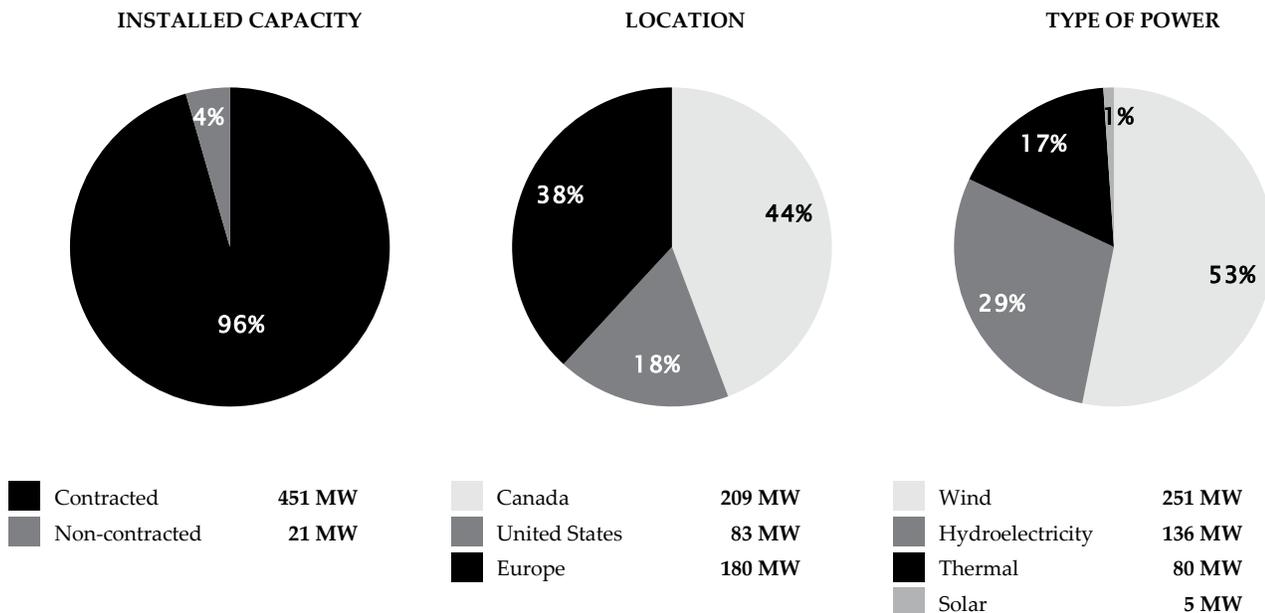
# Description of Business

Borex Inc. ("Borex" or the "Corporation") is an electricity producer whose core business is the development and operation of renewable energy power stations. The Corporation currently operates assets with a total installed capacity of nearly 500 megawatts ("MW") in Canada, in the Northeastern United States and in France. Borex is also developing projects, both independently and with partners, totalling approximately 400 MW of additional power slated for commissioning between the end of 2013 and 2015. Nearly all of the Corporation's operating assets as well as all the sites under developments benefit from long-term power sales contracts with fixed and indexed prices.

Employing over 200 people, Borex stands out for its diversified expertise and in-depth experience in four types of power generation:

- Borex currently operates a **251 MW wind** power portfolio in Europe and Canada. In recent years, Borex has become one of the most experienced wind power producers in France, where it currently generates 161 MW of power. Borex also entered the wind power industry in Canada with 90 MW installed capacity in Ontario. In Québec, Borex is working with a partner on the development of the Seigneurie de Beaupré wind farms with a total installed capacity of 341 MW, slated for commissioning at the end of 2013 and 2014. Also, in partnership with Québec regional county municipalities ("RCMs"), Borex has obtained long-term power sales contracts for two other sites totalling 50 MW, slated for commissioning at the end of 2014 and 2015.
- Borex has almost 20 years of expertise as a **hydroelectric** power producer, owning and operating power stations in the U.S., Québec and British Columbia with a total capacity of **136 MW**.
- Borex owns three **thermal** power stations with a total installed capacity of **80 MW**, including two natural gas cogeneration power stations totalling 45 MW and a 35 MW wood-residue power station.
- Borex recently 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, 2011.



**TOTAL: 472 MW**

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

# Introductory Comments to Management's Discussion and Analysis

## General

This Management's Discussion and Analysis ("MD&A") reviews the operating results and cash flows for the three-month period and fiscal year ended December 31, 2011, compared with the corresponding periods of 2010, as well as the Corporation's financial position as at December 31, 2011 and 2010. 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, 2011.

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

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

The information contained in this MD&A reflects all material events up to March 9, 2012, 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, since January 1, 2011, represent the Canadian generally accepted accounting principles ("GAAP") (Part I). Although IFRS use a conceptual framework similar to Canadian GAAP (Part V), there are significant differences in accounting policies that must be assessed. IFRS require more disclosures than Canadian GAAP (Part V). The consolidated financial statements included in this MD&A are in accordance with IFRS and present comparative 2010 data.

This MD&A also contains measures that are not standardized measures according to GAAP (Part I), as discussed under *Non-GAAP Measures*.

All financial information presented below, as well as tabular information, is in Canadian dollars.

## Discontinued operations

Following the sale of its U.S. wood-residue thermal power stations, the Corporation determined that the transaction met the criteria for discontinued operations under IFRS. Note that under IFRS, discontinued operations must be presented as a separate line item in the consolidated statements of earnings (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 the discontinued operations, which are now presented as a separate line item: *Discontinued operations*. However, to provide readers with a full snapshot of the changes in Boralex's operations, the Corporation deemed it relevant to include discontinued operations data in the charts illustrating changes in installed capacity, location and types of power on pages 2 and 11 of the Annual Report.

## 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 9, 2012.

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

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

# Highlights of the Last Three Fiscal Years

## 2009 to 2011: significant expansion of the wind power segment

In December 2008, Boralex's wind power segment, which was until then based exclusively in France, had a total installed capacity of 108 MW. The segment currently generates 251 MW of power in Canada and France, as well as 391 MW of contracted capacity under development by Boralex with partners.

### Europe

On December 14, 2009, the Corporation entered into a partnership agreement with Cube Infrastructure Fund ("Cube"), a Luxembourg-based investment fund. The primary aim of this partnership is to accelerate the expansion of Boralex's renewable energy production asset base in Europe by providing access to Cube's funds for the development or acquisition of new projects without additional capital investment by Boralex. Under the agreement, Cube may subscribe an amount up to €33 million, for a maximum 30% share in Boralex's European operations, up to December 2012. Cube subscribed for an initial tranche of €15 million of this amount in December 2009 for a 16% share, and a second tranche of €4.3 million in July 2010, bringing its share of Boralex's European operations to 20%.

On December 29, 2009, Boralex and Cube announced the acquisition of two wind farms in France with a total installed capacity of 40 MW, namely Ronchois (30 MW) and Le Grand Camp (10 MW), commissioned in August and October 2010, respectively. In addition, two development projects in France launched prior to the agreement with Cube were completed in 2010 with the commissioning of an additional 5 MW of installed capacity at the Cham Longe wind farm in February 2010 and the new 9 MW Chasse Marée wind farm in October 2010.

Accordingly, within a period of three years, Boralex increased the installed capacity in operation of its wind power segment in France by 50% or 54 MW to 161 MW currently. All of Boralex's wind power sites in France benefit from long-term power sales contracts with 15-year terms with Électricité de France ("EDF"), a government corporation.

### Canada

In recent fiscal years, Boralex has imported to Canada the leading-edge expertise acquired in the wind power segment in France. In December 2009 and January 2010, Boralex commissioned the 40 MW Phase I of the Thames River site in southern Ontario, a strategically located region with solid wind power potential. In March 2010, Boralex entered into a \$192 million financing agreement to fund 50 MW Phase II of the Thames River wind power site and refinance the already operational 40 MW Phase I. The commissioning of commercial operations at Phase II of Thames River took place between October and December 2010.

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

In Québec, following Hydro-Québec's request for proposals, a consortium consisting in equal parts of Boralex and an entity formed and owned by Gaz Métro Limited Partnership (the "Consortium") was selected in May 2008 for two wind power projects with a total power of 272 MW. These farms are currently under construction on the private property of the Séminaire de Québec and will be commissioned at the end of 2013. In addition, the Consortium acquired the rights to a 69 MW project on November 19, 2010. This wind farm, which is also located on the Seigneurie de Beaupré site, is slated for commissioning in December 2014. The performance of this wind farm and other projects developed on this site subsequently will benefit from potential logistic synergies generated during construction and operation.

The Seigneurie de Beaupré site offers a number of key advantages, including outstanding wind power potential due to excellent wind conditions, confirmed by several years of wind studies, and proximity to Hydro-Québec TransÉnergie interconnection lines. As the site is located far from any urban or residential areas, the visual and sound impacts will be all but non-existent.

In 2011, the Consortium set up an equally owned joint venture to continue construction activities and eventually operate the first two wind farms at Seigneurie de Beaupré, Québec. Construction work is underway for these wind farms and progress is on schedule. One third of the foundations have now been completed and 80% of the roads have been built. The completion of these projects requires an investment of approximately \$750 million. Financing in the amount of \$725 million was finalized on November 8, 2011 for the completion of the first two projects totalling 272 MW. The financing comprises 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.

On December 20, 2010, in partnership with two MRCs, namely La Côte-de-Beaupré and Témiscouata, Boralex announced the awarding of two wind power projects of 25 MW each under a Hydro-Québec request for proposals for community wind power projects. The first wind farm located on the Seigneurie de Beaupré property will be commissioned in December 2014 and the other in December 2015. As a result, within a few years, the Seigneurie de Beaupré wind farms will have contracted installed wind power capacity of 366 MW owned by Boralex and its partners.

All of the Corporation's wind power projects in Québec with an installed capacity totalling 391 MW will benefit from 20-year power sales contracts with Hydro-Québec.

## **2010: acquisition of Boralex Power Income Fund**

In May 2010, Boralex launched a takeover bid (the "Offer") to acquire Boralex Power Income Fund (the "Fund"). In addition to holding 23% of the Fund's trust units at the time of the Offer, Boralex had, since the Fund's inception in 2002, managed and operated the Fund's ten power stations with a total installed capacity of 190 MW, fully benefiting from power sales contracts with indexed prices, including seven hydroelectric power stations and three thermal power stations. Eight of these power stations are located in Québec, Canada and two in the State of New York in the U.S. On November 2, 2010, Boralex completed the acquisition of 100% of the Fund.

The acquisition of the Fund provided Boralex with numerous and significant advantages, mainly as follows:

- The addition of high-quality assets, particularly in the hydroelectric segment, boasting a proven, historically profitable power generation method and a reliable cash flow stream;
- Greater stability in profit margins and cash flows, since all of the power stations acquired from the Fund are covered by long-term power sales contracts; and
- Greater geographic diversification of Boralex's assets across Canada, the U.S. and Europe.

At the corporate level, the integration of the Fund's assets allowed for more focused growth, operating and financing strategies with no organizational changes required, as Boralex had already been operating and managing these assets since 2002. For further details on the transaction to acquire the Fund, please see note 5, *Business Combinations*, to the audited consolidated financial statements for the year ended December 31, 2011.

## **2011: foray into solar power**

Boralex entered the solar power segment following many years of strategic thinking, technological evaluation and prospecting of the European market. Commissioned on June 17, 2011, Boralex's first solar power plant with an installed capacity of 5 MW was built on the same site as the Avignonet-Lauragais wind farm in Southern France, making it the first mixed power generation site in the country. As a result, its commissioning and operations were facilitated by operational synergies in terms of staffing and logistics. To fund the equity portion of the project, Cube made the capital injection of €4.3 million mentioned previously, increasing its interest in Boralex's European operations to 20%. The new solar infrastructure uses photovoltaic panel technology, and the electricity produced will be sold to EDF under a 20-year contract. Under the agreement entered into with the solar panel supplier, which is a global leader in the industry, the supplier also assumes responsibility for maintaining the equipment for a five-year period to allow Boralex's staff to deepen its expertise.

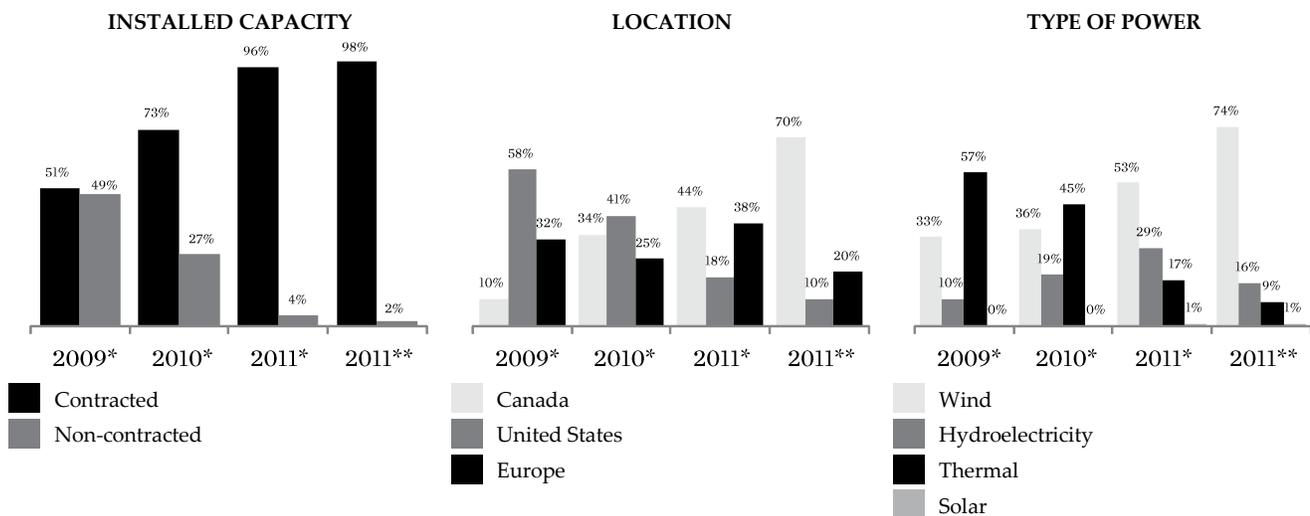
## 2011: sale of U.S. wood-residue power stations

On December 20, 2011, the Corporation completed the sale of its U.S. wood-residue assets totalling 186 MW for approximately US\$88 million, in addition to roughly US\$5 million derived from the sale of the 2011 Renewable Energy Certificates (“RECs”) which Boralex still owned. In addition, under the terms of the transaction, Boralex will receive 50% of the REC sales proceeds in excess of the defined price thresholds for 2012, 2013 and 2014, inclusively.

This decision dovetails with Boralex’s strategy of the past few years to focus on operating and developing renewable energy assets covered by long-term power sales contracts with indexed pricing. Accordingly, following the closing of the transaction and as shown in the following table, 98% of Boralex’s installed capacity in operation and under development, totalling 844 MW, is currently contracted. Excluding development projects, 96% of assets in operation are contracted. Moreover, Boralex can invest the proceeds of this sale of assets into new energy projects with long-term contracts both in Canada and Europe, mainly in the wind, hydroelectric and solar power segments.

## Impact of Events in Recent Years on the Makeup of Boralex’s Energy Portfolio

*These charts show the evolution in all sites owned as at December 31, 2011.*



\* In operation

\*\*In operation and under development

# Seasonal Factors

Three-month periods ended	2011			
(in thousands of Canadian dollars, except per share amounts and number of shares outstanding)	March 31, 2011	June 30, 2011	September 30, 2011	December 31, 2011
<b>REVENUES FROM ENERGY SALES</b>				
Wind power stations	18,273	15,193	11,328	22,461
Hydroelectric power stations	12,732	15,990	11,615	15,982
Thermal power stations	26,261	12,762	12,368	17,584
Solar power station	-	124	887	465
	57,266	44,069	36,198	56,492
<b>EBITDA</b>				
Wind power stations	15,066	11,991	8,160	18,590
Hydroelectric power stations	9,076	12,648	8,513	11,386
Thermal power stations	11,532	2,078	2,928	4,100
Solar power station	-	121	810	399
Corporate and eliminations	(4,445)	(4,300)	(3,723)	(4,174)
	31,229	22,538	16,688	30,301
<b>NET EARNINGS (LOSS) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX</b>				
Continuing operations	3,903	(3,730)	(6,315)	3,536
Discontinued operations	3,108	(1,377)	(893)	4,651
	7,011	(5,107)	(7,208)	8,187
<b>NET EARNINGS (LOSS) PER SHARE (BASIC) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX</b>				
Continuing operations	0.11	(0.10)	(0.17)	0.10
Discontinued operations	0.08	(0.04)	(0.02)	0.12
	0.19	(0.14)	(0.19)	0.22
<b>NET EARNINGS (LOSS) PER SHARE (DILUTED) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX</b>				
Continuing operations	0.10	(0.10)	(0.17)	0.10
Discontinued operations	0.08	(0.04)	(0.02)	0.12
	0.18	(0.14)	(0.19)	0.22
Weighted average number of shares outstanding (basic)	37,766,491	37,773,213	37,745,598	37,725,898

2010

Three-month periods ended (in thousands of Canadian dollars, except per share amounts and number of shares outstanding)	March 31, 2010	June 30, 2010	September 30, 2010	December 31, 2010
<b>REVENUES FROM ENERGY SALES</b>				
Wind power stations	11,413	9,230	7,802	17,479
Hydroelectric power stations	3,054	2,323	2,784	18,060
Thermal power stations	6,321	2,280	3,872	18,194
	20,788	13,833	14,458	53,733
<b>EBITDA</b>				
Wind power stations	9,419	7,112	5,628	14,104
Hydroelectric power stations	1,873	1,182	1,473	14,401
Thermal power stations	1,934	8	171	4,019
Corporate and eliminations	(5,976)	(7,585)	(3,889)	(4,460)
	7,250	717	3,383	28,064
<b>NET EARNINGS (LOSS) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX</b>				
Continuing operations	(3,615)	(6,659)	30,910	2,778
Discontinued operations	5,591	1,945	3,820	302
	1,976	(4,714)	34,730	3,080
<b>NET EARNINGS (LOSS) PER SHARE (BASIC) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX</b>				
Continuing operations	(0.10)	(0.17)	0.82	0.07
Discontinued operations	0.15	0.05	0.10	0.01
	0.05	(0.12)	0.92	0.08
<b>NET EARNINGS (LOSS) PER SHARE (DILUTED) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX</b>				
Continuing operations	(0.10)	(0.17)	0.77	0.07
Discontinued operations	0.15	0.05	0.10	0.01
	0.05	(0.12)	0.87	0.08
Weighted average number of shares outstanding (basic)	37,740,921	37,740,921	37,740,921	37,744,869

Operations and results of the Corporation's 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 volume of power generated. 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 251 MW of Boralex 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 developments in the past three fiscal years 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 with the commissioning of wind farms totalling 391 MW currently under development with partners in Canada. Accordingly, the Corporation's wind power segment will total nearly 650 MW of installed capacity in operation by the end of fiscal 2015, excluding potential acquisitions of assets that are already in operation or under development. In particular, this expansion will intensify the impact of the seasonality on this type of power generation on Boralex's overall performance, such that an increasing proportion of the Corporation's revenues will be generated in the first and fourth quarters.

## Hydroelectricity

For the Boralex hydroelectric facilities, 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 certain hydroelectric power stations whose water flow is regulated upstream, most of Boralex's hydroelectric facilities do not have reservoirs that would permit water flow regulation during the year.

As mentioned previously, four U.S. power stations with a total installed capacity of 20.5 MW and accounting for 15% of Boralex's total hydroelectric power segment do not have long-term power sales contracts. Since they sell their power on the open market in the Northeastern U.S., these power stations are more vulnerable to seasonal fluctuations which, in addition to influencing power production volumes, also have an impact on selling prices obtained. They are partly influenced by seasonal demand, which is traditionally higher during winter and summer, corresponding to Boralex's first and third quarters. Historically, power stations obtain generally higher average prices during these periods. Moreover, the price of natural gas, which is highly volatile, has a significant influence on electricity selling prices in the Northeastern U.S.

## Thermal

Boralex owns and operates three thermal power stations for an aggregate 80 MW of installed capacity. One of them, located in Senneterre, Québec is fuelled by wood-residue and is covered by a Hydro-Québec power sales contract with a remaining term of 11 years. An agreement was recently entered into between Hydro-Québec and Boralex under which the Senneterre power station will produce power six months per year during 2012 and 2013, between December and March and in July and August, which are the periods of peak demand. The terms of the agreement are such that the power station's results should not be affected.

Boralex also operates two natural gas power stations, one in Kingsey Falls, Québec and the other in Blendecques, France. These power stations benefit from power sales contracts, and in addition, steam production is quite stable from quarter to quarter, as it is driven by client demand, which is relatively predictable and steady. Moreover, the Kingsey Falls power station in Québec entered into two advantageous hedging contracts in 2010 for a two-year period to index its steam selling price and fix its natural gas purchase price. The French natural gas cogeneration power station's long-term power sales contract with EDF contains a clause that caps electricity prices from April to October. When the cost of natural gas is high, the profit margin for this period is not sufficient to offset the ceiling on electricity prices. The cogeneration equipment may therefore be shut down, in which case the Corporation supplies its steam client from an auxiliary boiler. Accordingly, since 2005, the power station has operated its cogeneration equipment during the five months from November to March.

## Solar

The Corporation's only solar power station (5 MW) currently in operation is located in the south of 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 and 35% in the first and fourth 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, specifically, the significant expansion of the wind power segment, the acquisition of the Fund and the sale of wood-residue U.S. power stations, nearly all of the Corporation's revenues are now generated by facilities with fixed-price and indexed sales contracts. The Corporation also benefits from solid diversification of its power generation sources and its 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

	Three-month periods ended December 31,		Years ended December 31,	
	2011	2010	2011	2010
<i>(in thousands of Canadian dollars, except per share amounts and number of shares outstanding)</i>				
<b>REVENUES FROM ENERGY SALES</b>				
Wind power stations	22,461	17,479	67,255	45,924
Hydroelectric power stations	15,982	18,060	56,319	26,221
Thermal power stations	17,584	18,194	68,975	30,667
Solar power station	465	-	1,476	-
	56,492	53,733	194,025	102,812
<b>EBITDA</b>				
Wind power stations	18,590	14,104	53,807	36,263
Hydroelectric power stations	11,386	14,401	41,623	18,929
Thermal power stations	4,100	4,019	20,638	6,132
Solar power station	399	-	1,330	-
Corporate and eliminations	(4,174)	(4,460)	(16,642)	(21,910)
	30,301	28,064	100,756	39,414
<b>ADJUSTED EBITDA<sup>(1)</sup></b>				
Wind power stations	18,590	14,104	53,807	36,263
Hydroelectric power stations	11,386	14,401	41,623	18,929
Thermal power stations	4,100	4,019	20,638	6,132
Solar power station	399	-	1,330	-
Corporate and eliminations	(4,174)	(4,460)	(16,642)	(16,290)
	30,301	28,064	100,756	45,034
<b>NET EARNINGS (LOSS) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX</b>				
Continuing operations	3,536	2,778	(2,606)	23,414
Discontinued operations	4,651	302	5,489	11,658
	8,187	3,080	2,883	35,072
<b>NET EARNINGS (LOSS) PER SHARE (BASIC AND DILUTED) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX</b>				
Continuing operations	0.10	0.07	(0.07)	0.62
Discontinued operations	0.12	0.01	0.15	0.31
	0.22	0.08	0.08	0.93
<b>Weighted average number of shares outstanding (basic)</b>	<b>37,725,898</b>	<b>37,744,869</b>	<b>37,752,670</b>	<b>37,741,916</b>

<sup>(1)</sup> See *Non-GAAP measures* for information on these specific items.

## Operating Results Data

	Years ended December 31		
(in thousands of Canadian dollars, except per share amounts and number of shares outstanding)	2011	2010	2009 <sup>(1)</sup>
<b>REVENUES FROM ENERGY SALES</b>	194,025	102,812	64,097
<b>EBITDA</b>	100,756	39,414	29,500
<b>NET EARNINGS (LOSS) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX</b>			
Continuing operations	(2,606)	23,414	10,515
Discontinued operations	5,489	11,658	13,924
	2,883	35,072	24,439
<b>NET EARNINGS (LOSS) PER SHARE (BASIC AND DILUTED) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX</b>			
Continuing operations	(0.07)	0.62	0.28
Discontinued operations	0.15	0.31	0.37
	0.08	0.93	0.65
<b>Weighted average number of common shares outstanding (basic)</b>	37,752,670	37,741,916	37,740,921

## Statement of Financial Position Data

	As at December 31		
(in thousands of Canadian dollars, except per share amounts and number of shares outstanding)	2011	2010	2009 <sup>(1)</sup>
Total assets	1,176,855	1,245,507	663,767
Total debt <sup>(2)</sup>	506,184	513,774	242,680
Convertible debentures	223,347	220,824	-
Total equity	328,878	367,689	347,061

<sup>(1)</sup> In accordance with Canadian GAAP (Part V).

<sup>(2)</sup> Including current and non-current debt, as well as bank loans and overdraft.

## Non-GAAP Measures

In order to assess the performance of its assets and reporting segments, Boralex uses EBITDA, adjusted EBITDA, adjusted net earnings, cash flows from operations and the ratio of net debt 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-GAAP (Part I) performance measures are derived primarily from the audited consolidated financial statements, but do not have a standardized meaning under IFRS; accordingly, they may not be comparable to similarly named measures used by other companies.

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

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

(in thousands of Canadian dollars)	Three-month periods ended December 31		Years ended December 31	
	2011	2010	2011	2010
Net earnings attributable to shareholders of Boralex	8,187	3,080	2,883	35,072
Net earnings from discontinued operations	(4,651)	(302)	(5,489)	(11,658)
Non-controlling interests	382	478	(379)	201
Income tax expense (recovery)	1,277	(24,639)	(2,311)	(38,016)
Net loss on financial instruments	498	369	972	241
Foreign exchange loss (gain)	2,386	767	(961)	701
Financing costs	12,639	10,977	49,664	23,850
Other gains	-	-	(2,959)	(774)
Net gain on deemed disposal of investment in the Fund	-	948	-	(24,744)
Impairment of goodwill	-	23,158	-	23,158
Impairment loss (reversal) of property, plant and equipment	(5,000)	-	1,503	-
Amortization	14,583	13,228	57,833	31,383
<b>EBITDA</b>	<b>30,301</b>	<b>28,064</b>	<b>100,756</b>	<b>39,414</b>

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

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

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

(in thousands of Canadian dollars)	Years ended December 31	
	2011	2010
Net cash flows related to operating activities	66,131	14,148
Less: Change in non-cash items related to operating activities	11,891	(613)
<b>CASH FLOWS FROM OPERATIONS</b>	<b>54,240</b>	<b>14,761</b>

The Corporation defines net debt as follows:

	As at December 31, <b>2011</b>	As at December 31, <b>2010</b>
<i>(in thousands of Canadian dollars)</i>		
Non-current debt	479,525	479,546
Current portion of debt	26,659	34,033
Bank loans and overdraft	-	195
Borrowing costs, net of accumulated amortization	8,889	9,071
Less:		
Cash and cash equivalents	(144,703)	(92,650)
Restricted cash	(552)	(15,924)
<b>Net debt</b>	<b>369,818</b>	<b>414,271</b>

The Corporation defines total book capitalization as follows:

	As at December 31, <b>2011</b>	As at December 31, <b>2010</b>
<i>(in thousands of Canadian dollars)</i>		
Total equity	328,878	367,689
Net debt	369,818	414,271
Convertible debentures	223,347	220,824
Convertible debenture issuance costs, net of accumulated amortization	4,710	5,174
Deferred taxes on convertible debentures	5,158	5,049
Imputed interest calculated on convertible debentures	(2,728)	(411)
<b>Total book capitalization</b>	<b>929,183</b>	<b>1,012,596</b>

The Corporation defines the ratio of net debt as follows:

	As at December 31, <b>2011</b>	As at December 31, <b>2010</b>
<i>(in thousands of Canadian dollars)</i>		
Net debt	369,818	414,271
Total book capitalization	929,183	1,012,596
<b>NET DEBT RATIO</b>	<b>39.8%</b>	<b>40.9%</b>

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

## EBITDA

	Three-month periods ended December 31		Years ended December 31	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
<i>(in thousands of Canadian dollars)</i>				
<b>EBITDA</b>				
Specific items:	30,301	28,064	100,756	39,414
Share of Boralex in impairment of property, plant and equipment at a power station owned by the Fund	-	-	-	5,620
<b>Adjusted EBITDA</b>	<b>30,301</b>	<b>28,064</b>	<b>100,756</b>	<b>45,034</b>

## Net earnings attributable to shareholders of Boralex

(in thousands of Canadian dollars)	Three-month periods ended December 31		Years ended December 31	
	2011	2010	2011	2010
<b>Net earnings attributable to shareholders of Boralex</b>	8,187	3,080	2,883	35,072
Net earnings from discontinued operations	(4,651)	(302)	(5,489)	(11,658)
Specific items*:				
Share of Boralex in impairment of property, plant and equipment at a power station owned by the Fund	-	-	-	4,136
Professional fees incurred in connection with the offer to acquire the Fund	-	664	-	4,291
Amortization of balance of deferred financing costs under initial financing for Phase I of Thames River	-	-	-	1,915
Impairment of property, plant and equipment	(3,500)	-	1,052	-
Other gains	-	-	(2,071)	(519)
Net gain on deemed disposal of investment in the Fund	-	-	-	(30,874)
Impairment of goodwill	-	23,158	-	23,158
Reversal of future income taxes	-	(23,158)	-	(23,158)
Income tax recovery on deemed disposal of investment in the Fund	-	-	-	(10,173)
<b>Adjusted NET EARNINGS (LOSS)</b>	<b>36</b>	<b>3,442</b>	<b>(3,625)</b>	<b>(7,810)</b>

\* Impact net of income taxes

### Specific Items in the Quarters ended December 31, 2011 and 2010

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

- A \$4.7 million amount that represents after-tax earnings from discontinued operations, i.e., the U.S. wood-residue power stations that were sold to a third party in December 2011. This amount is made up of \$1.4 million in net earnings from operations and a \$3.3 million gain on the sale of assets; and
- A \$3.5 million amount made up of a \$5.0 million impairment reversal (less related taxes of \$1.5 million) relating to the property, plant and equipment at the Dolbeau thermal cogeneration power station in Québec. Note that following serious wood-residue sourcing problems at the power station and the financial difficulties experienced by its industrial client Resolute Forest Products ("Resolute"), formerly known as AbitibiBowater, Dolbeau's property, plant and equipment was subject to successive impairment charges in recent years. In the third quarter of fiscal 2011, Boralex shut down operations at this power station permanently, resulting in a further impairment loss of \$4.6 million (after-tax) representing the remaining book value of Dolbeau's property, plant and equipment. In the fourth quarter, Boralex received an offer from Resolute to purchase the power station for an amount of \$5.0 million. Following the closing and finalization of this purchase offer, Boralex recognized an impairment reversal for this same amount to reflect the recoverable amount of the power station.

In the fourth quarter of fiscal 2010, Boralex reported several specific items with a total net favourable impact of \$0.4 million on net earnings for the quarter:

- A \$0.3 million favourable amount representing net earnings from discontinued operations;
- A \$0.7 million unfavourable amount resulting from professional fees incurred in connection with the offer to acquire the Fund; and
- A \$23.2 million unfavourable amount resulting from the impairment of the goodwill of the Fund, offset by a reversal of future income taxes in the same amount (see consolidated financial statements, note 5 *Business Combinations*).

## Specific Items in the Years ended December 31, 2011 and 2010

In fiscal 2011, Boralex reported specific items with a total net favourable impact of \$6.5 million on annual 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 \$1.1 million unfavourable amount resulting from the impairment of property, plant and equipment at the Dolbeau power station, net of a reversal made in the fourth quarter; and
- Various specific gains totalling \$2.1 million, including a \$0.4 million after-tax gain resulting from the sale of 784,796 ABI shares granted by ABI to Boralex in connection with the claim filed by Boralex under ABI's C-36 filing, a \$1.3 million net gain resulting from the sale of a non-strategic wind power project in Ontario and a \$0.4 million net gain on the sale of assets to the Joint Venture (50% owned by Boralex) created in 2011 as part of the Seigneurie de Beauré wind power projects in Québec.

In fiscal 2010, Boralex reported specific items with a total net favourable impact of \$42.9 million on net earnings:

- An \$11.7 million favourable amount representing after-tax earnings from discontinued operations;
- A \$4.1 million unfavourable amount representing Boralex's share in the impairment of property, plant and equipment at the Dolbeau power station when it was under the ownership of the Fund, i.e., a charge that was recognized prior to the acquisition of the Fund by Boralex as of September 15, 2010;
- A \$4.3 million unfavourable amount resulting from professional fees incurred in connection with the acquisition of the Fund;
- A \$1.9 million net unfavourable amount representing the amortization recorded, at the time of the financing and overall refinancing of the Thames River wind power project, of the deferred financing costs relating to the previous financing arrangements of Phase I of this project;
- A \$0.5 million net gain on the sale of a subsidiary; and
- A \$36.8 million gain on the deemed disposal of Boralex's investment in the Fund prior to its acquisition, net of income tax recovered on this disposal.

# Analysis of Operating Results

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

	Adjusted net loss (in millions of C\$)	Per share (in C\$, basic)
<b>YEAR ENDED DECEMBER 31, 2010</b>	<b>(7.8)</b>	<b>(0.21)</b>
Change in adjusted EBITDA	55.8	1.48
Amortization	(26.4)	(0.70)
Financing costs	(28.6)	(0.76)
Foreign exchange loss	1.7	0.05
Net loss on financial instruments	(0.8)	(0.02)
Income tax expense	1.9	0.04
Non-controlling interests	0.6	0.02
<b>YEAR ENDED DECEMBER 31, 2011</b>	<b>(3.6)</b>	<b>(0.10)</b>

Excluding the specific items relating to fiscal 2011 and 2010 discussed in the previous section, Boralex reported an adjusted net loss of \$3.6 million or \$0.10 per share (basic and diluted) for fiscal 2011 compared with an adjusted net loss of \$7.8 million or \$0.21 per share (basic and diluted) for fiscal 2010.

This \$4.2 million improvement in the net loss is explained by the \$55.8 million increase in EBITDA attributable to the acquisition of the Fund and the commissioning of new wind and solar power sites in 2010 and 2011 as discussed below in this section. To a lesser extent, the net loss in 2011 was also mitigated by a favourable change in the income tax expense. However, the 2011 result was affected by a combined increase of \$55.0 million in amortization and financing costs resulting mainly from the expansion of the wind power segment and the acquisition of the Fund, a higher foreign exchange loss and the net loss on financial instruments.

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

(in millions of C\$)	Revenues from energy sales	EBITDA
<b>YEAR ENDED DECEMBER 31, 2010</b>	<b>102.8</b>	<b>45.0</b>
Impact of consolidated operations of the Fund <sup>(1)</sup>	69.1	38.2
<i>Data pertaining to other operations of Boralex:</i>		
Power stations commissioned	22.5	18.9
Shutdown of Dolbeau power station	(1.4)	0.2
Pricing	1.6	1.6
Volume	-	0.9
RECs and green certificates	(0.3)	(0.2)
Translation of self-sustaining subsidiaries (exchange rate effect)	(0.2)	0.1
Raw material costs	-	(1.0)
Maintenance	-	0.1
Boralex Power Income Fund (pre-acquisition) <sup>(2)</sup>	-	(3.0)
Other	(0.1)	-
<b>YEAR ENDED DECEMBER 31, 2011</b>	<b>194.0</b>	<b>100.8</b>

<sup>(1)</sup> This amount relates to the period from January 1, 2010 to September 15, 2010 prior to the acquisition of the Fund.

<sup>(2)</sup> This amount is reflected in the following items in the 2010 statement of earnings: *Share in loss of the Fund, Management revenues from the Fund* and with respect to expenses, *Management and operation of the Fund*.

## Revenues from Energy Sales

During fiscal 2011, revenues from energy sales from Boralex's continuing operations totalled \$194.0 million, up \$91.2 million or 88.7% from \$102.8 million in 2010, due primarily to Boralex's expansion strategy. The acquisition of the Fund's power stations contributed additional revenues of \$69.1 million while the wind and solar power facilities commissioned in 2010 and 2011 generated revenues of \$22.5 million.

Excluding these sources of growth, revenues from Boralex's other continuing operations were stable compared with the previous fiscal year. The Corporation particularly benefited from additional revenues of \$1.6 million resulting from higher average selling prices at its existing power stations. This increase in the average selling price is mainly attributable to the natural gas-fired power stations in France and Canada as explained in greater detail in the following section of this MD&A on the Corporation's different operating segments. The impact of the higher average selling price on Boralex's revenues was offset by certain unfavourable items, including the \$1.4 million shortfall resulting from the shutdown of the Dolbeau thermal power station in the third quarter of 2011. However, this shutdown had a favourable impact on Boralex's EBITDA.

In total, Boralex's continuing operations generated 1,731,255 MWh of electricity in fiscal 2011, up 97.6% from 876,211 MWh in 2010, following the acquisition of the Fund and the commissioning of new wind and solar power facilities. Excluding these items and the impact of the shutdown of the Dolbeau power station, the overall output of Boralex's other existing power stations was stable compared with 2010.

## Other Income

*Other income* of \$0.7 million recorded in fiscal 2011 (\$0.7 million in 2010) essentially consisted of management fees from a power station owned by a trust, whose sole trustee is a director of the Corporation.

## EBITDA

Adjusted consolidated EBITDA from continuing operations more than doubled to \$100.8 million in 2011 from \$45.0 million in 2010. Of this \$55.8 million increase, an amount of \$35.2 million is attributable to the consolidation of the Fund's earnings for all of fiscal 2011 compared with 14 weeks in 2010, also taking into account the recognition of Boralex's 23% interest in the Fund for the remainder of fiscal 2010. Newly commissioned assets made an additional contribution of \$18.9 million.

Excluding the full-year contribution of the Fund and the results of newly commissioned facilities, EBITDA from Boralex's existing operations increased by \$1.7 million, stemming mainly from the additional contribution of \$1.6 million attributable to the higher average selling price discussed previously and a \$0.9 million favourable volume effect. Various other positive factors also contributed to the growth in consolidated EBITDA, including the favourable impact of the shutdown of the Dolbeau power station on operating costs, lower maintenance costs and a slightly favourable foreign exchange impact. These items more than offset the \$1.0 million increase in raw material costs, mainly for natural gas, and various other unfavourable factors mostly related to operating segments.

As a result, the adjusted EBITDA margin for continuing operations as a percentage of revenues rose from 43.8% in 2010 to 52.0% in 2011 as wind, hydroelectric and solar power assets, which generate higher margins than the thermal power segment, accounted for a greater proportion of consolidated revenues.

## Amortization, Impairment of Property, Plant and Equipment and Impairment of Goodwill

The Corporation's amortization expense for 2011 amounted to \$57.8 million, up \$26.4 million from \$31.4 million in 2010. Excluding changes in the \$15.7 million amortization expense at the power stations acquired from the Fund, Boralex's amortization expense was up \$10.7 million owing to investments made in the past 12 months in the wind power segment and the commissioning of the first solar power site. However, the higher amortization expense in fiscal 2011 was partly offset by a favourable adjustment of \$2.1 million resulting from the change to the useful life of a component for certain wind turbine models.

As described previously regarding specific items in 2011 and 2010, Boralex recorded in 2011 a \$1.5 million impairment charge for assets at the Dolbeau power station, net of the impairment reversal made in the fourth quarter with respect to this power station. In fiscal 2010, prior to the acquisition of the Fund, Boralex had recognized an expense of \$5.6 million in respect of its 23% share in the impairment of property, plant and equipment at the same power station, which at the time was owned by the Fund.

## Other Gains

In fiscal 2011, as mentioned previously and as discussed in note 21 to the consolidated financial statements, Boralex recognized specific gains totalling \$3.0 million on the disposal of various assets compared with a \$0.8 million gain on the sale of a subsidiary in 2010.

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

Financing costs totalled \$49.7 million in fiscal 2011 compared with \$23.9 million in 2010. Excluding interest on debts acquired from the Fund (\$5.0 million), Boralex's financing costs rose \$20.8 million mainly as a result of issuing convertible debentures to finance the acquisition of the Fund and contracting new debt over the previous quarters in connection with the Corporation's various wind and solar power development projects.

Boralex reported a \$1.0 million foreign exchange gain in 2011 compared with a \$0.7 million loss in 2010; this \$1.7 million favourable variance resulted from the remeasurement of Boralex's US dollar holdings.

The Corporation also recognized a \$1.0 million net loss on financial instruments in 2011 compared with \$0.2 million in 2010, representing a \$0.8 million unfavourable difference. *Net loss 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 small ineffective portion. Generally, if the change in derivative instruments is favourable to Boralex, it gives rise to a favourable ineffective amount. Conversely, when the change in derivative instruments is unfavourable to Boralex, it gives rise to an unfavourable ineffective amount.

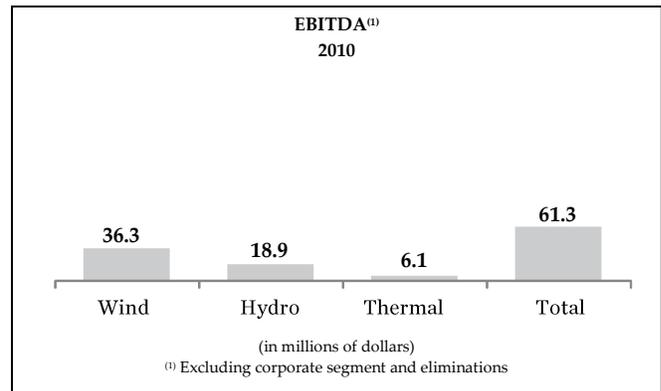
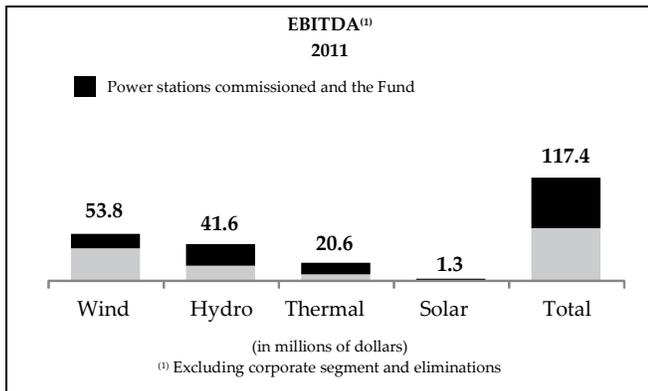
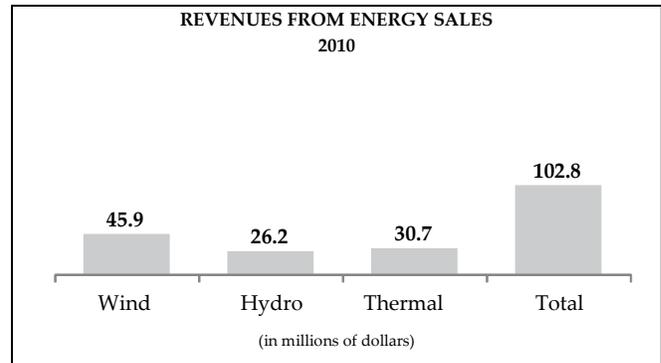
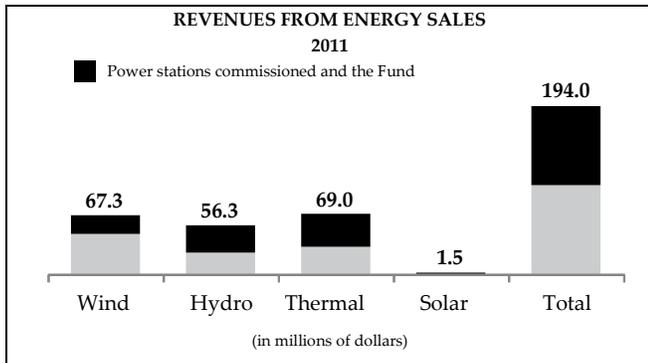
## Net Earnings (Loss) Attributable to Shareholders of Boralex

Excluding discontinued operations and other specific items in the past two years, Boralex reported an adjusted net loss of \$3.6 million or \$0.10 per share (basic and diluted) for fiscal 2011 compared with an adjusted net loss of \$7.8 million or \$0.21 per share (basic and diluted) for fiscal 2010.

## TO SUM UP,

fiscal 2011 results are a reflection of the Corporation's strategy in the past three year to focus its operations and development projects on renewable energy assets with long-term power sales contracts and on activities with superior growth and return potential, particularly in the wind, hydroelectric and solar power segments. Accordingly, recent expansion in these three segments, resulting from organic growth and the acquisition of the Fund, contributed to growth in the Corporation's revenues, EBITDA and EBITDA margin in 2011 and has strengthened its positioning as a company with growth and profitability potential. Last, the recent sale of assets that no longer meet the Corporation's priority objectives has generated additional funds for accelerating its expansion in the short-, medium- and long-term.

# Review of Operating Segments



## Geographic and Segment Breakdown between Fiscal 2011 and 2010

Apart from the recent sale of U.S. thermal power stations with a 186 MW capacity, two events occurring in the past two fiscal years significantly changed Boralex's energy portfolio and thereby the geographic and segment breakdown of its revenues and EBITDA:

- The commissioning of additional installed capacity of 144 MW in the wind power segment, including 90 MW in Canada and 54 MW in France; and
- The integration of the Fund's power stations with a total capacity of 162.5 MW (excluding Dolbeau), including more than half in the hydroelectric power segment and approximately 60% in Canada.

Geographically, these developments have strengthened the Corporation's positioning in Canada where 44% of Boralex's installed capacity in operation is located compared with 18% in the U.S. and 38% in Europe. Accordingly, Boralex now enjoys greater geographic balance in its revenue streams as well as reduced vulnerability to currency fluctuations.

From a segment perspective, the main effect of these developments has been to increase the relative weight of wind and hydroelectric power segments, which generate profit margins higher than the average for Boralex's assets. The combined share of these two segments now stands at 82%.

Furthermore, as all the assets added in recent years are covered by long-term power sales contracts with fixed and indexed prices, the contracted portion of Boralex's installed capacity has now reached 96%.

## Geographic and Segment Breakdown of Results

In fiscal 2011, the geographic breakdown of Boralex's revenues from energy sales, excluding discontinued operations, was as follows:

- 53% in Canada compared with 38% in 2010;
- 18% from the United States compared with 16% in 2010; and
- 29% from Europe compared with 46% the previous year.

These changes mainly reflect the increase in the relative weight of Canadian assets in Boralex's energy portfolio following the acquisition of the Fund and the commissioning of the 50 MW Phase II of the Thames River (Ontario). Changes in the segment breakdown of results of continuing operations have trended as follows:

### Wind

Although its revenues grew 46.6% over fiscal 2010 following the commissioning of new sites, the wind power segment's share of consolidated revenues declined to 34.7% in 2011 from 44.6% in 2010 due to the integration of the Fund's operations, which bolstered the relative weight of the hydroelectric and thermal power segments. For the same reason, despite a 48.2% increase in wind power segment EBITDA, its share of consolidated EBITDA (before corporate and eliminations) declined to 45.8% in 2011 from 59.2% in 2010. However, the wind power segment remains the most important source of EBITDA for Boralex. Excluding the solar power station, the wind power segment generated the highest EBITDA profit margin of about 79.9% in fiscal 2011 (79.1% in 2010). Given the nearly 400 MW of wind power projects under development, of which 50% will be held by Boralex, the segment's major contribution to Boralex's operating profitability is expected to strengthen over the next few years, boosting the Corporation's average profit margin.

### Hydroelectric

The contribution of the hydroelectric power segment to Boralex's consolidated revenues rose to 29.0% from 25.5% between fiscal 2010 and 2011 as segment revenues expanded by 114.9%, mainly following the full-year contribution of the Fund's seven hydroelectric power stations in 2011 compared with only 14 weeks in 2010. Moreover, the addition of the Fund's power stations, all of which benefit from long-term power sales contracts, contributed to a 120.1% increase in EBITDA, raising its share of consolidated EBITDA to 35.4% in 2011 compared with 30.8% in fiscal 2010. The segment EBITDA margin as a percentage of revenues rose to 73.9% in fiscal 2011 from 72.1% in 2010.

### Thermal

For the Company's continuing operations, the wood-residue segment generated 35.6% of consolidated revenues for the year ended December 31, 2011, compared with 29.9% in 2010, and 17.5% of consolidated EBITDA compared with 10.0% in 2010, mainly stemming from the full-year contribution of the Senneterre and Kingsey Falls power stations in Québec acquired from the Fund. The segment's EBITDA margin advanced to 29.9% in fiscal 2011 from 19.9% in 2010.

### Solar

The commissioning of the Corporation's first solar power station on June 17, 2011 had little impact on consolidated results for the year ended December 31, 2011 as this facility accounts for only 1.0% of the Corporation's total installed capacity. However, in just over six months, this new power station generated EBITDA of \$1.3 million and an EBITDA margin of 86.7% as a percentage of revenues.

## Wind Power Stations

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

(in millions of C\$)	Revenues from energy sales	EBITDA
<b>YEAR ENDED DECEMBER 31, 2010</b>	45.9	36.3
Power stations commissioned	21.0	17.6
Pricing	(1.1)	(1.1)
Volume	1.3	1.3
Translation of self-sustaining subsidiaries (exchange rate effect)	0.1	0.1
Other	0.1	(0.4)
<b>YEAR ENDED DECEMBER 31, 2011</b>	67.3	53.8

## Operating Results

The commissioning of new sites combined with organic growth underpinned a significant improvement in segment results in fiscal 2011 with output, revenues and EBITDA up by 47.0%, 46.6% and 48.2%, respectively.

### Production

The wind power segment's output totalled 554,581 MWh in 2011 compared with 377,392 MWh in the previous year. Of the 177,189 MWh increase, an amount of 163,847 MWh represents the additional contribution of new sites commissioned in 2010 and early 2011:

- 50 MW Phase II of the Thames River site in Canada commissioned in December 2010;
- French wind power stations Ronchois, Chasse Marée and Le Grand Camp (total of 49 MW) commissioned between August and October 2010; and
- 5 MW expansion of the Cham Longe site in France commissioned in February 2010.

The existing Canadian and French sites increased their total production volume by 3.6%. In Canada, Boralex's relatively recent foray into the wind power market has been a success. The Thames River site with a total capacity of 90 MW was built and commissioned on schedule and on budget and in addition, results to date of operations have met expectations. For its first full year of commercial operations, Thames River Phase I has in particular recorded very satisfactory availability rates. This performance combined with generally favourable wind conditions and the fact that some its equipment was fine-tuned in early 2010, resulted in a 5% increase in the site's production volume in 2011.

In France, following three quarters of declining output due to somewhat unfavourable weather conditions, climatic conditions improved sharply in the fourth quarter of 2011 compared with the same period of 2010, allowing the existing sites to end the year with 3% growth in total output over 2010. Although wind conditions in the past two years, mainly in the north of France, were lower than the measured averages, Boralex management is not concerned as wind power performance for a region must be looked at over the long term. Boralex's wind power segment plans are based on historical data observed at reference stations and data collected from the sites. Note also that Boralex is geographically diversified in France, with wind power sites located in several regions in the country. This strength has been reinforced for Boralex's overall wind power segment by the current expansion in Canada.

## Revenues and EBITDA

Segment revenues reached \$67.3 million in 2011, up from \$45.9 million in 2010, with the commissioning of new sites accounting for \$21.0 million of this \$21.4 million increase. Higher production volume at existing sites also contributed additional revenues of \$1.3 million, offsetting the \$1.1 million shortfall caused by a decline in the average selling price at certain wind power sites in France.

The lower average price is primarily attributable to contractual agreements with EDF that provide for a retroactive adjustment of the per MWh selling price five or ten years after the contract effective date if the production volume for the previous five or ten years has exceeded the set level. The Canadian site benefited from a higher average selling price as equipment of Phase I of the Thames River site commissioned in December 2009 and January 2010 was fine-tuned in the first quarter of fiscal 2010. As a result, in 2011, in addition to a higher utilization factor, all of the equipment qualified for the full Advanced RESOP rate over the entire year.

Segment EBITDA amounted to \$53.8 million, up \$17.5 million from \$36.3 million for fiscal 2010. Excluding the \$17.6 million contribution from new sites, EBITDA generated by the existing sites declined marginally, by \$0.1 million, due to an increase in business tax resulting from tax reform in France. Nonetheless, EBITDA margin as a percentage of revenues rose to 79.9% in 2011 from 79.1% in 2010, driven, among other factors, by optimized performance at Phase I of Thames River and the quality of new wind power assets commissioned in Canada and in France.

## Development Projects and Recent Events

As of the date of this MD&A, Boralex and its partners held long-term power sales contracts for wind power projects totalling 391 MW, slated for commissioning from December 2013 to December 2015. Virtually all of this new installed capacity—366 MW—will be commissioned on the high-potential Seigneurie de Beauré site, as discussed under *Highlights of the Last Three Fiscal Years* on page 9 of this MD&A. Wind power farms under development in Canada are described below.

1. In 2011, Boralex and its partner Gaz Métro Limited Partnership set up an equally owned joint venture to build and operate the first two Seigneurie de Beauré wind farms with an installed capacity of 272 MW, slated for commissioning in December 2013. Subsequent to the creation of the joint venture, development costs from wind power projects at Seigneurie de Beauré 2 and 3 are no longer included under *Development projects* in Boralex's statement of financial position, but are accounted for in the investment account *Interest in the Joint Venture*. (The main transactions relating to the joint venture for fiscal 2011 are described in note 10 *Interest in a Joint Venture* to the notes to the consolidated financial statements of fiscal 2011.)

The first two wind farms are currently being built by the joint venture. As of the date of this MD&A, the project is on budget and on schedule. A third of the foundations and over 80% of the roads were completed in 2011. Boralex is also developing the management and communication tools to be deployed on the site while control, transformer and maintenance stations will be installed in summer 2012. Boralex's management is confident that the expertise and skills acquired by its team in the commissioning and operation of the Thames River wind power site in Ontario will be a valuable asset for the success of the commissioning of the Seigneurie de Beauré sites. The construction of the first two wind farms requires an investment of approximately \$750 million. On November 8, 2011, the joint venture secured financing for \$725 million, comprising a two-year construction loan of \$590 million, which will be converted into a term loan amortized over 18 years after the start of commercial operations, together with short-term facilities totalling \$135 million.

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 Beauré wind power project. The transactions have a total nominal amount of \$505 million at rates of approximately 3.20%.

2. Boralex and its partner Gaz Métro Limited Partnership are defining the parameters for another Seigneurie de Beauré wind farm with a 69 MW capacity, slated for commissioning in December 2014. In addition to reaping the major benefits the site offers in terms of wind power, environmental conditions and existing infrastructures, the performance of the future farm will capitalize on the logistic synergies that will come into play during its construction and subsequent operation.
3. In June 2011, two community wind farm projects developed jointly by Boralex and the Québec RCMs of Témiscouata and La Côte-de-Beauré 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. Of these two projects, the wind farm in La Côte-de-Beauré, will be built on the Seigneurie de Beauré property.

Boralex and its partner Cube continue to explore various wind and solar power acquisition and development opportunities, mainly in France.

## Outlook

Despite the impact of external factors such as currency fluctuations and weather conditions, the wind power segment's performance in fiscal 2012 should benefit from higher contributions from recently commissioned sites, particularly Phase II of Thames River, including some wind power turbines that were being fine-tuned in the first quarter of 2011. Boralex's European and Canadian wind power segment teams also continue their efforts to optimize the availability and performance of equipment, leveraging in particular their growing expertise in preventive and corrective maintenance and the remote management of wind turbines.

With respect to development projects, Boralex and its partners are maintaining their objective of commissioning the current Seigneurie de Beaupré projects with a total of 366 MW by the end of 2015.

Boralex's wind power segment will remain the main driver of growth in the medium term, especially since management expects to earmark a considerable portion of proceeds from the recent sale of assets in the U.S. (a net after-tax amount of approximately US\$81 million) for the expansion of its wind power segment. Currently, the Corporation is actively seeking to acquire new wind power projects in Canada and in Europe, including already operational sites as well as projects in advanced stages of development that could be quickly commissioned. In Canada, in the event of a new call for tenders from the government of Québec for wind power, infrastructure with a capacity of nearly 800 MW could be built in the short term on the Seigneurie de Beaupré site for which Boralex and its partners have exclusive development rights. Ontario also remains a high-potential market for Boralex due to its wind power potential and the government's openness to the development of a solid renewable energy production base. In Europe, Boralex intends to continue focusing most of its efforts in the short term on the French market, not only because of Boralex's solid positioning and credibility earned in this market over the past ten years but also due to the considerable wind power development potential in France and the political will to maintain and develop France's leadership in renewable energy.

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

- The scale and quality of its projects with long-term power sales contracts currently under development;
- Solid alliances it has entered into in Europe and North America to accelerate its development; and
- Its growing reputation on world financial markets as a credible developer and operator—both reliable and high-performing—of increasingly large wind power facilities.

## Hydroelectric Power Stations

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

(in millions of C\$)	Revenues from energy sales	EBITDA
<b>YEAR ENDED DECEMBER 31, 2010</b>	26.2	18.9
Impact of consolidated operations of the Fund	31.4	25.3
<i>Data pertaining to other operations of Boralex:</i>		
Pricing	(0.3)	(0.3)
Volume	(0.6)	(0.6)
Translation of self-sustaining subsidiaries (exchange rate effect)	(0.1)	-
Maintenance	-	(0.2)
Other	(0.3)	(1.5)
<b>YEAR ENDED DECEMBER 31, 2011</b>	56.3	41.6

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

<b>HYDROELECTRIC PRODUCTION (MWh)<sup>(1)</sup></b>	<b>2011</b>	<b>2010</b>
Three-month periods ended December 31	196,522	220,380
Years ended December 31	703,612	328,290
Annual historical average <sup>(2)</sup>	621,931	621,261

<sup>(1)</sup> The historical average is calculated using all production available for each power station up to the end of Boralex's previous fiscal year. The significant difference for the years ended December 31 resulted from the addition of 96.5 MW in installed capacity on acquiring the Fund.

<sup>(2)</sup> Historical averages include all of Boralex's existing power stations.

## Operating Results

Acquiring the Fund's seven hydroelectric power stations in 2010 substantially boosted the profile of Boralex's hydroelectric segment, tripling its installed capacity and increasing the contracted portion thereof to 85% from 48%. Accordingly, the contribution of the power stations acquired from the Fund for fiscal 2011 as a whole, compared with the 14 weeks or 3.5 months in 2010, saw segment production, revenues and EBITDA surge 114.3%, 114.9% and 120.1%, respectively, while increasing EBITDA margin to 73.9% from 72.1%, year over year.

### Production

In fiscal 2011, Boralex's hydroelectric segment production totalled 703,612 MWh compared with 328,290 MWh in 2010. Nearly all of this 375,522 MWh increase stemmed from the contribution of the Fund's power stations for an additional 8.5 month period compared with fiscal 2010, but organic growth of 7.7% was also a contributing factor. On the whole, 2011 water flow conditions, particularly during the first three quarters, were very favourable, significantly exceeding historical averages in the Northeastern U.S. In Canada, conditions were closer to historical averages. However, the fourth quarter saw less favourable water flow conditions in both the U.S. and Canada, in addition to prolonged shutdowns in the three power stations prompted by equipment breakdowns and replacements. As a result, results for the fourth quarter put somewhat of a damper on the high growth rate posted by the segment in the first nine months of fiscal 2011.

For fiscal 2011 as a whole, however, as shown in the preceding table, total production in the hydroelectric segment exceeded the historical average by 13%.

## Revenues and EBITDA

Revenues from energy sales totalled \$56.3 million in 2011, up from \$26.2 million the year before. As a result, the additional \$31.4 million in revenues stemming from the full-year contribution by the Fund's power stations readily offset the following unfavourable effects on revenues:

- A \$0.6 million adverse volume effect owing to a decline in production in the fourth quarter prompted by unfavourable water flow conditions in Canada and prolonged shutdowns at three power stations;
- A \$0.3 million unfavourable price effect due to a drop in the average open-market selling price obtained by the U.S. power stations not covered by power sales contracts; and
- The effect of Canadian and U.S. dollar exchange rate movements.

The hydroelectric segment posted an EBITDA of \$41.6 million, up from \$18.9 million year over year. The full-year consolidation of the results of the Fund's power stations generated an additional \$25.3 million in EBITDA. This contribution offset the above-mentioned adverse factors, in addition to a number of other items, including a rise in development costs and losses on sales of various assets.

## Project Under Development and Outlook

During fiscal 2012, Boralex will commence work on its power station in Buckingham, Québec to ensure it complies with the *Dam Safety Act*. Furthermore, management is continuing to assess various scenarios to optimize this investment by also undertaking an expansion of up to 10 MW of the power station's installed capacity.

The private nature of the Rimouski facility and its water flow have been recognized and accordingly, both the term of the current power sales contract with Hydro Québec and the renewal thereof have been extended by five years.

Boralex is keeping a watchful eye on opportunities to grow its hydroelectric segment, particularly in Québec, Ontario and British Columbia. And to achieve this goal, the Corporation has hired additional resources outside Québec.

With over twenty years' experience in hydroelectric power, a skilled team and high quality assets, Boralex believes it is poised to make further inroads into the hydroelectric market. Since acquiring the Fund, in particular, the Corporation has enjoyed a larger, more profitable hydro power base with better geographic distribution and steadier, more predictable cash flows. In fact, EBITDA margins in this segment approximate wind power margins. The new profile softens the impact of 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, Québec power stations will continue benefitting from contractual indexation under power sales contracts, as well as from capacity premiums.

## Thermal Power Stations

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

(in millions of C\$)	Revenues from energy sales	EBITDA
<b>YEAR ENDED DECEMBER 31, 2010</b>	30.7	6.1
Impact of consolidated operations of the Fund	37.7	13.3
<i>Data pertaining to other operations of Boralex:</i>		
Shutdown of Dolbeau power station	(1.4)	0.2
Pricing	2.9	2.9
Volume	(0.7)	0.2
Translation of self-sustaining subsidiaries (exchange rate effect)	(0.2)	(0.1)
Capacity premiums	(0.1)	(0.1)
Raw material costs	-	(1.0)
Maintenance	-	(0.1)
Other	0.1	(0.8)
<b>YEAR ENDED DECEMBER 31, 2011</b>	69.0	20.6

## Operating Results

After disposing of its U.S. wood-residue thermal power stations, the segment now consists of three power stations in operation with a total installed capacity of 80 MW: the 31 MW Kingsey Falls, Québec and 14 MW Blendecques, France natural gas cogeneration power stations and the 35 MW wood-residue power station in Senneterre, Québec. Only the Blendecques power station was owned by Boralex before acquiring the Fund in September 2010, which explains the lion's share of the changes in results from 2010 to 2011. We also recall that during the third quarter of 2011, Boralex definitively shuttered operations at its Dolbeau, Québec wood-residue power station, which it also acquired from the Fund.

## Production

In fiscal 2011, the thermal power segment produced 469,835 MWh of electricity compared with 170,529 MWh in 2010, owing primarily to the full-year contribution of the Kingsey Falls and Senneterre power stations. Due to the addition of the Kingsey Falls facility, steam production at the two natural gas cogeneration power stations rose 72.3% to 1,337,299 thousand pounds.

## Revenues and EBITDA

Segment revenues for the year totalled \$69.0 million, marking a 124.8% surge from \$30.7 million in 2010. EBITDA was up over threefold, totalling \$20.6 million compared with \$6.1 million last year. The main factors behind these changes included:

- The full-year consolidation of the Fund's power stations, which boosted segment revenues and EBITDA by \$37.7 million and \$13.3 million, respectively;
- A \$2.9 million favourable price effect sparked by a 16% average price increase for steam sales at the two natural gas cogeneration facilities, coupled with electricity sales price indexing. This was offset, however, by a \$1.0 million rise in raw material, natural gas and wood-residue costs; and
- In the aggregate, the closure of the Dolbeau power station and the other stations' volume effect resulted in a \$2.1 million decline in revenues but a \$0.4 million increase in EBITDA.

## Outlook

Generally, while thermal energy 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

An agreement recently entered into between Hydro-Québec and Boralex will see the Senneterre wood-residue power station operate six months a year in 2012 and 2013. Accordingly, our Senneterre facility will provide electricity during periods of peak demand, from December to March, and in July and August. However, the terms of the agreement are such that the power station's results will not be affected. The Senneterre station is thus expected to maintain its performance for the next two years. On the supply front, a system was installed at Senneterre in 2011 to recover, clean and boost the heat value of old bark piles, thereby alleviating forest residue sourcing problems. This system is still in its fine-tuning period and is expected to be optimized over the coming quarter with a view to improving performance while minimizing equipment wear and tear.

In Kingsey Falls, our natural gas cogeneration facility's power sales contract with Hydro-Québec is due to expire in November 2012. In light of prevailing electricity market prices, management deems it unlikely that the contract will be renewed in the near future. Management is currently assessing the power station's options based on the needs expressed by Hydro-Québec and its industrial client. Moreover, the Kingsey Falls power station's steam sales contract is also set to expire in 2012 and will have to be renegotiated if renewed. Upon entering into the contract, the client chose an indexing method partially based on the price of certain oil products. Given considerable volatility in oil prices over the past few years, the price of steam has fluctuated significantly. Boralex recently entered into financial swaps to partially fix the price of steam sold and fix the price of natural gas purchases until November 30, 2012.

### France

The power sales contract at our Blendecques natural gas power station is due to expire in December 2013. Management is assessing various scenarios for this facility, including making a series of investments to secure a new contract with EDF covering a potential 12-year term. We recall that since 2005, market conditions have prompted the power station to operate its cogeneration equipment for the five-month winter period only, from November 1 to March 31. That said, the Blendecques natural gas power station provides a steady stream of profits and cash flows for Boralex, particularly given that fluctuations in selling prices are generally offset by opposite fluctuations in raw material costs.

## Solar Power Station

(in millions of C\$)	Revenues from energy sales	EBITDA
<b>YEAR ENDED DECEMBER 31, 2010</b>	-	-
Power station commissioned	1.5	1.3
<b>YEAR ENDED DECEMBER 31, 2011</b>	1.5	1.3

Boralex's first solar power plant, with an installed capacity of 5.0 MW, was commissioned on June 17, 2011 and therefore contributed to the Corporation's results for approximately 6.5 months of fiscal 2011.

### Operating Results

Since commissioning, the financial results for Boralex's solar power station have exceeded management's expectations. From June 17 to December 31, 2011, the site produced 3,227 MWh of electricity and recorded revenues and EBITDA of \$1.5 million and \$1.3 million, representing an 86.7% margin as a percentage of revenues. Management believes that the profitability recorded to date reflects the intrinsic quality of this first solar project with regard to the choice of technology, location and contractual benefits, as well the growing expertise of Boralex's team.

### Outlook

On a full annual basis, Boralex expects its first solar power station to produce an average of roughly 5,000 MWh of electricity for the first ten years, with an average EBITDA margin of approximately 85%.

Solar power is a growth industry with market rules and government directions to be worked out in the years to come. Boralex believes this clean and abundant source of renewable energy has great potential, particularly as technological breakthroughs gradually lower the cost of equipment and enhance performance.

In addition to the European market, more specifically France where Boralex has built a skilled team devoted to solar project development, the Corporation looks to the Ontario market with special interest. This province might be a good fit for Boralex to tap into this niche in Canada.

## Discontinued Operations

Net earnings from discontinued operations are detailed as follows:

<small>(in thousands of Canadian dollars)</small>	2011	2010
Revenues from energy sales	61,526	100,052
Expenses	59,327	83,588
Pre-tax operating income from discontinued operations	2,199	16,464
Income tax expense	54	4,806
Net operating income	2,145	11,658
Loss on sale of assets	(251)	-
Income tax recovery attributable to sale of assets	(3,595)	-
Net gain on sale of assets	3,344	-
Net earnings from discontinued operations	5,489	11,658

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 US\$86.8 million, plus the sale proceeds of RECs realized by these power stations during fiscal 2011, valued at about US\$5 million. 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.

The decision to dispose of these assets follows the strategic path taken by Boralex in the past few years whereby it focuses its operations and development initiatives around assets covered by long-term power sales contracts with pre-determined and indexed prices, while prioritizing three key renewable energy production segments: wind, hydro and solar power. We recall that the thermal power stations sold by Boralex were not covered by sales contracts and had to sell their electricity on the Northeastern U.S. open market.

In addition to yielding approximately US\$81 million in after-tax cash proceeds that can be rapidly reinvested to grow the Corporation's asset base faster in its target markets, management considers that Boralex generated solid shareholder value with the asset sale, particularly due to their quality and strong historical performance. For the past several years, the teams in place have rigorously maintained equipment, applying effective solutions to optimize performance, reduce costs and secure wood-residue supplies.

However, the economic conditions of the past three years gave rise to major operating challenges at these power stations. Lower demand due to a slowdown in the U.S. economy prompted lower electricity selling prices and sharply weaker RECs. These factors considerably dampened power station results, as did the adverse effect of foreign currency fluctuations on Boralex's performance on translation into Canadian dollars.

With regard to the future positive effects of the asset sale, apart from reinvesting sales proceeds in further expansion, the Boralex management team believes that the Corporation could yield attractive returns on the sale of RECs during the next three years, pursuant to a specific clause in the aforementioned power sales contract. Provided the U.S. economic recovery continues, REC prices are likely to rise above the required threshold for Boralex to realize significant cash flows from its 50% share in future REC sales at the power stations it disposed of.

## Analysis of Operating Results for the Fourth Quarter Ended December 31, 2011

The major changes in adjusted net earnings were as follows:

	Adjusted net earnings (in millions of C\$)	Per share (in C\$, basic)
<b>QUARTER ENDED DECEMBER 31, 2010</b>	3.4	0.09
Change in EBITDA	2.2	0.06
Amortization	(1.4)	(0.04)
Foreign exchange loss	(1.6)	(0.04)
Net loss on financial instruments	(0.1)	-
Financing costs	(1.7)	(0.05)
Income tax expense	(0.9)	(0.02)
Non-controlling interests	0.1	-
<b>QUARTER ENDED DECEMBER 31, 2011</b>	-	-

Excluding the specific items for the fourth quarters of fiscal 2011 and 2010 described on pages 19 and 20 of this MD&A, Boralex recorded net earnings attributable to shareholders of nil for the three-month period ended December 31, 2011, compared with adjusted net earnings of \$3.4 million or \$0.09 per share (basic and diluted) for the same period of fiscal 2010.

The decline in net adjusted earnings of \$3.4 million or \$0.09 per share resulted in large part from the recognition of a \$2.4 million foreign exchange loss in the fourth quarter of 2011 (compared with a \$0.8 million foreign exchange loss for the same quarter of 2010), owing primarily to the Corporation's decision to repatriate to Canada cash proceeds on the sale of the U.S. wood-residue power stations. In light of the change in value of the US dollar relative to Canadian currency, this transfer gave rise to an unfavourable remeasurement of intercompany advances.

Excluding the foreign exchange losses for the two comparative periods, there was an adverse difference of \$1.8 million in adjusted net earnings owing to a rise in amortization, income tax expense and financing costs arising from the Corporation's additions to its asset base over the past two fiscal years. Higher expenses were only partially offset by growth in consolidated EBITDA, resulting in particular from the slippage in hydroelectric segment earnings discussed below.

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

(in millions of C\$)	Revenues from energy sales	EBITDA
<b>QUARTER ENDED DECEMBER 31, 2010</b>	53.7	28.1
Power stations commissioned	2.9	2.5
Shutdown of Dolbeau power station	(1.4)	0.5
Pricing	0.9	0.9
Volume	0.1	0.6
Translation of self-sustaining subsidiaries	0.2	0.1
Raw material costs	-	(0.9)
Maintenance	-	(0.3)
Other	0.1	(1.2)
<b>QUARTER ENDED DECEMBER 31, 2011</b>	56.5	30.3

## Revenues from Energy Sales

Revenues from energy sales for the three-month period ended December 31, 2011 totalled \$56.5 million compared with \$53.7 million year over year. This \$2.8 million or 5.2% growth was driven primarily by the wind power segment. Wind power segment revenues for the fourth quarter were up \$5.0 million, owing equally to the commissioning of Phase II of our Thames River project in Ontario as of mid-December 2010 and organic growth at existing sites, particularly in France, which enjoyed more favourable weather conditions than in the same period of 2010.

The good showing in our wind power segment and, to a lesser extent, the addition of the wind power station more than offset the \$1.4 million revenue shortfall resulting from the closure of the Dolbeau thermal power station and the \$2.1 million decline in hydroelectric segment revenues, which was primarily attributable to the prolonged shutdowns at three power stations and less favourable water flow conditions than in the corresponding quarter of 2010. Year over year, Boralex was buoyed by a higher average selling price for the fourth quarter, mostly at the natural gas thermal power stations, which had a \$0.9 million favourable effect on consolidated revenues and EBITDA.

In total, Boralex's continuing operations generated 494,574 MWh of electricity in the fourth quarter of fiscal 2011 compared with 496,071 MWh for the same period of 2010. Excluding the commissioning of Phase II of the Thames River site and Boralex's first solar power station in France, and the impact of the closure of the Dolbeau power station, the rest of continuing operations maintained their pace of production, with higher output at wind power sites offsetting lower hydroelectric volume.

## EBITDA

Consolidated EBITDA from continuing operations for the fourth quarter of 2011 amounted to \$30.3 million, up \$2.2 million or 7.8% from the same period of 2010. EBITDA margin as a percentage of revenues from energy sales for the fourth quarter of 2011 rose to 53.6% from 52.3% year over year. Generally, the good showing in the wind power segment offset the downturn in the hydroelectric segment. The main profitability drivers in continuing operations for fourth quarter of 2011 are as follows:

- The \$2.5 million contribution from the addition of new wind and solar power facilities commissioned since the end of 2010;
- The \$1.4 million impact of the rise in average selling price stemming primarily from the natural gas power stations;
- A \$0.6 million favourable volume effect of higher production at existing wind power sites; and
- The \$0.5 million favourable effect of the closure of the Dolbeau thermal power station.

These factors more than offset the combined increase of \$1.2 million in raw material and maintenance costs, and a series of items of varying significance, due in large part to the different operating segments, which had a total unfavourable impact of \$1.7 million.

## Amortization and Reversal of Impairment Loss on Property, Plant and Equipment

Amortization expense for the fourth quarter of 2011 amounted to \$14.6 million compared with \$13.2 million in the same period of fiscal 2010, owing to investments in the wind and solar power segments. Conversely, the increase in amortization expense for the quarter was offset by the adjustment in the useful life of a turbine component. As previously discussed, in the fourth quarter of 2011, Boralex recognized a \$5.0 million pre-tax reversal of the impairment loss in respect of property, plant and equipment at the Dolbeau power station, thereby partially reversing the \$6.5 million impairment charge recorded in the third quarter.

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

Financing costs totalled \$12.6 million for the fourth quarter of fiscal 2011 compared with \$11.0 million for the same period of fiscal 2010. This increase resulted mainly from the financing of Thames River and, to a lesser extent to higher interest on the convertible debentures issued in 2010 to acquire the Fund.

Boralex reported a \$2.4 million foreign exchange loss compared with \$0.8 million for the corresponding quarter of the previous year, representing a \$1.6 million unfavourable change as previously discussed. Furthermore, the Corporation posted a \$0.5 million net loss on financial instruments for the fourth quarter of 2011, compared with a \$0.4 million net loss on financial instruments for fiscal 2010.

## Net Earnings (Loss) Attributable to Shareholders of Boralex

In the fourth quarter of fiscal 2011, Boralex recorded net earnings attributable to shareholders of Boralex of \$5.3 million before the share in loss of the Joint Venture and income tax recovery, compared with a \$21.4 million loss in 2010 before the same items.

Excluding discontinued operations and other specific items for the two comparative periods, Boralex ended the fourth quarter of fiscal 2011 with net earnings attributable to shareholders of nil compared with adjusted net earnings of \$3.4 million or \$0.09 per share (basic and diluted) for the same period of fiscal 2010.

# Cash Flows

(in thousands of Canadian dollars)	Years ended December 31	
	2011	2010
Net cash flows related to operating activities	66,131	14,148
Net cash flows related to investing activities	(87,418)	(241,075)
Net cash flows related to financing activities	(21,659)	255,350
Cash from discontinued operations, including proceeds on disposal	94,770	30,679
Translation adjustment on cash and cash equivalents	229	(4,273)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>52,053</b>	<b>54,829</b>

## Operating Activities

For fiscal 2011, Boralex reported \$54.2 million or \$1.44 per share in cash flows from continuing operations compared with \$14.8 million or \$0.39 per share for fiscal 2010. Excluding non-cash items from net earnings for the two comparative fiscal years, consisting of amortization expense, impairment of property, plant and equipment and goodwill and the gain on deemed disposal of the investment in the Fund, the increase in cash flows from operations resulted primarily from growth in adjusted EBITDA stemming from the full-year contribution of the Fund's power stations and the commissioning of new wind and solar power facilities, as well as the non-recurring nature of costs to acquire the Fund in 2010, the whole less the distributions received from the Fund in 2010. This series of contributions readily offset the rise in payments of financing costs.

The change in non-cash items related to operating activities generated additional cash inflows of \$11.9 million (\$0.6 million used in 2010), owing in large part to the \$20.8 million disposal of ABI shares in the first quarter of 2011. In addition, aggregate trade and other receivables and inventories were down \$15.6 million owing primarily to the collection of VAT receivable as at December 31, 2010 on wind turbine purchase contracts for the wind farms built in 2010, as well as the December 2011 sale of the U.S. wood-residue power stations. However, the aforementioned increases in current assets were offset by a \$25.3 million decline in trade and other payables stemming primarily from payments in the first quarter of 2011 to the suppliers who built the French wind farms in 2010.

Accordingly, continuing operations generated net cash flows totalling \$66.1 million in fiscal 2011 compared with \$14.1 million the previous year.

## Investing Activities

During fiscal 2011, investing activities resulted in cash outflows of \$87.4 million, net of the following cash inflows:

- A \$4.2 million inflow representing receipt of a portion of the proceeds on disposal of the Merlin-Buxton wind power development project in Ontario; and
- An amount of \$0.4 million consisting primarily of insurance proceeds received.

The main investments for fiscal 2011 were as follows:

- A \$52.9 million amount invested in the Joint Venture created in 2011 to build the first two Seigneurie de Beaupré wind farms. In 2011, the Joint Venture finished installing a large number of the turbine foundations and roads to be built;
- A total of \$34.4 million for additions to property, plant and equipment, about 75% of which was used to complete wind power projects in France, to commission phase II at Thames River, Ontario in January 2011, and to build and commission the Corporation's first solar power station in France. The remainder of the investments was mainly used to add or modernize various pieces of equipment at the Senneterre and Kingsey Falls thermal power stations and the Ocean Falls hydroelectric power station;
- On a net basis, a total of \$2.4 million in restricted cash was used;
- A total net amount of \$1.6 million allocated to Boralex's development projects, including \$0.7 million in connection with the first two wind farms at Seigneurie de Beaupré invested in the first quarter of 2011, prior to the creation of the Joint Venture, with remainder allocated primarily to develop the third Seigneurie de Beaupré wind farm; and
- \$0.7 million representing the contingent consideration for development rights of Phase II of Thames River in Canada.

## Financing Activities

During fiscal 2011, financing activities required total net cash outflows of \$21.7 million. The Corporation made total repayments of \$45.2 million on its non-current debt and bank loans and overdraft. Conversely, Boralex increased its non-current debt by an additional \$39.7 million, of which \$17.9 million (€12.8 million) was drawn down under the €15.6 million financing facility arranged in 2010 in connection with its solar power project in France, \$10.8 million (€8.0 million) in drawdowns under the VAT tranche of the master financing agreement for the wind power projects in France and \$11.0 million in respect of the Ocean Falls hydroelectric power station.

Prior to the inception of the Joint Venture, Boralex had entered into interest rate swap transactions independently in connection with the first two Seigneurie de Beaupré wind farms. Following the interest rate swap transactions entered into by the Joint Venture in November 2011, Boralex made an early settlement of the former swaps for a consideration of \$15.7 million and redesignated the balance as a hedge of anticipated debt in respect of other wind power projects in progress.

Lastly, during fiscal 2011, Boralex repurchased 59,400 Class A shares for a \$0.4 million consideration under its normal course issuer bid.

## Discontinued Operations

The December 20, 2011 sale of the U.S. wood-residue power stations generated a cash inflow of \$87.1 million net of transaction fees (US\$84.5 million). During fiscal 2011, discontinued operations generated cash flows totalling \$7.7 million excluding the sale proceeds from the power stations, compared with \$30.7 million in fiscal 2010, owing primarily to a decline in their results.

## Net Increase in Cash and Cash Equivalents

Accordingly, total cash movements for the year ended December 31, 2011 resulted in a \$52.1 million increase in the balance of cash and cash equivalents. Cash and cash equivalents amounted to \$144.7 million as at December 31, 2011, compared with \$92.7 million as at December 31, 2010.

## TO SUM UP,

in 2011, Boralex successfully maintained an excellent cash position, in addition to injecting several million dollars to expand its operating base and pursue its development projects, mainly in the wind power segment. Excluding the Corporation's cash flow financing capacity resulting from its acquisition of the Fund and expansion in the wind power segment, this success was driven by sound capital management, including the realization and timely redeployment of assets of lesser strategic importance to accelerate growth in its preferred markets.

# Financial Position

Changes in key statement of financial position items between December 31, 2011 and 2010 primarily reflect:

- The sale of the U.S. wood-residue power stations;
- The creation of the Joint Venture; and
- Energetic pursuit of the Corporation's investment and expansion strategy.

## Assets

Boralex's total assets declined \$68.6 million or 5.5% during fiscal 2011 to \$1,176.9 million as at December 31, 2011 from \$1,245.5 million as at December 31, 2010. This change resulted primarily from a \$95.8 million decline in the value of property, plant and equipment resulting mainly from the sale of the U.S. wood-residue power stations and the fact that amortization expense for the year exceeded the value of additions to property, plant and equipment. The aggregate of *Other intangible assets* and *Other non-current assets* was down \$27.3 million principally as result of the sale of the U.S. wood-residue power stations and the disposal of the non-strategic wind power project in Ontario. The decline in these non-current assets was partially offset however by the \$45.2 million interest in the Joint Venture.

Current assets rose \$16.7 million or 8.2% to \$221.4 million as at December 31, 2011 from \$204.7 million a year earlier. The \$52.1 million increase in cash and cash equivalents more than offset the sale of ABI shares, which the Corporation disposed of in the first quarter of 2011, as well as the aforementioned decline in trade and other receivables and inventories.

## Working Capital

As at December 31, 2011, the Corporation's working capital amounted to \$120.0 million with a ratio of 2.18:1 compared with \$107.5 million and a ratio of 2.13:1 as at December 31, 2010. This increase resulted in large part from the previously discussed increase in current assets.

## Total Debt and Equity

As at December 31, 2011, the Corporation's total debt, consisting of non-current debt and the current portion of debt, bank loans and overdraft, and the liability component of convertible debentures, amounted to \$729.5 million compared with \$734.6 million as at December 31, 2010. Non-current debt (including the current portion of debt) notably decreased \$7.5 million as a result of repayments during the year, net of drawdowns under European credit facilities to finance the wind power projects in France. We also note that the euro's weakening against the Canadian dollar from December 31, 2010 to December 31, 2011 resulted in a decline of roughly \$2.0 million in Boralex's non-current debt in Europe. In this regard, note that 40% of Boralex's non-current debt as at December 31, 2011 and 2010 were in Europe.

Net debt, as defined under *Non-GAAP measures*, amounted to \$369.8 million as at December 31, 2011 compared with \$414.3 million as at December 31, 2010. Between December 31, 2010 and 2011, total equity fell \$38.8 million to \$328.9 million from \$367.7 million. The decline resulted primarily from the adverse change in *Other comprehensive loss* due mainly to the change in fair value of hedging financial instruments and partially offset by net earnings for the year ended December 31, 2011.

As a result, the net debt ratio, as defined under *Non-GAAP measures*, improved slightly to 39.8% as at December 31, 2011 from 40.9% as at December 31, 2010.

## Information about the Corporation's Equity Instruments

As at December 31, 2011, Boralex's capital stock consisted of 37,726,427 Class A shares issued and outstanding (37,765,139 as at December 31, 2010) and the number of stock options outstanding was 1,804,845, of which 850,380 were exercisable. In 2011, 59,400 shares were repurchased by the Corporation and 20,688 shares were issued in connection with the conversion of 2,586 debentures. As at December 31, 2011, Boralex had 2,448,658 issued and outstanding convertible debentures (2,451,244 as at December 31, 2010).

From January 1, 2012 to March 9, 2012, no new shares were issued on exercise of stock options and 392 new shares were issued in connection with a debenture conversion.

## Normal Course Issuer Bid

On November 4, 2011, Boralex announced its intention to carry out a normal course issuer bid (the "Bid"). Under this Bid, open for a twelve-month period from November 8, 2011 to November 7, 2012, Boralex may buy back up to 250,000 Class A shares, or approximately 0.66% of the 37,725,787 Boralex Class A shares issued and outstanding as at October 31, 2011. All buybacks will be carried out via the Toronto Stock Exchange, and the repurchased shares will be cancelled. As at March 9, 2012, Boralex had not repurchased any Class A shares under the Bid. A copy of the notice of intention to carry out the Bid may be obtained, free of charge, from the Corporation.

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

## Related Party Transactions

Before acquisition of the Fund on September 15, 2010, the Corporation, through one of its wholly owned subsidiaries, was linked to the Fund under long-term management and administration contracts. For the year ended December 31, 2010, these management and administration agreements generated \$4.4 million in revenues while the share in loss of the Fund amounted to \$3.1 million. Boralex received Fund distributions totalling \$4.5 million during the same period in 2010.

Until February 28, 2011, one of Boralex's power stations in France supplied steam to a French division of Cascades, which has significant influence over Boralex, as it holds 35% of the Corporation's capital stock. During fiscal 2011, revenues from this division of Cascades amounted to \$1.8 million (\$10.2 million in 2010). On March 1, 2011, this division of Cascades was sold to a third party unrelated to Boralex and to which the Corporation's power station continues to supply steam.

The Corporation also entered into a management agreement with an entity controlled by Bernard Lemaire, one of Boralex's directors and officers, and his family. For fiscal 2011, revenues from this agreement amounted to \$0.6 million (\$0.5 million in 2010).

The Kingsley Falls thermal natural gas power station has a steam sales contract with Cascades. For fiscal 2011, revenues from this agreement amounted to \$18.6 million (\$4.3 million in 2010).

In June 2011, in connection with the Seigneurie de Beaupré wind power project, the Corporation entered into a partnership agreement with a subsidiary of Gaz Métro L.P. and created the joint venture of which each party owns 50%. During the year ended December 31, 2011, the Corporation's share in the loss of the Joint Venture amounted to \$0.2 million. In addition, \$0.8 million in salaries was charged back to the Joint Venture in connection with construction work at the site.

## Outlook and Development Objective

Boralex now has a capacity of 850 MW, of which 472 MW is in operation with nearly 400 MW under development. The Corporation's goal is to aggregate a capacity of 1,250 MW in operation and under development by the end of 2015.

Equipped with the proceeds of recent assets sales in the U.S. and drawing on its European financial partner, Cube, Boralex is energetically pursuing its acquisition search in Canada and Europe, primarily targeting renewable energy assets already in operation or projects in advanced development stages, provided they are covered by long-term power contract to yield the Corporation steady and predictable cash flows. Management believes that the current weakness in the world economy may prompt some energy asset developers or operators to auction off a portion of their assets to finance other operations. Boralex intends to focus on just such opportunities.

While maintaining a continuous technological watch with a focus on the North American market and certain European countries, Boralex is targeting the following market and geographical segments:

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

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; and
- Assuring sound capital management and retaining sufficient financial flexibility to seize potential growth opportunities and ensure uninterrupted access to capital markets.

### TO SUM UP,

Boralex intends to further build its reputation as a developer and operator of green and renewable energy, known for above-average growth in operations and earnings in its industry. To meet its growth goals, Boralex will remain a solid and innovative growth company, driven by clear objectives and a long-term vision for its sources of production, its target markets and its approach to project development.

# Financial Instruments

## Foreign Exchange Risk

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

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

## Price Risk

To stabilize its natural gas supply costs, the Corporation entered into a commodity swap contract to cover 90% of the Kingsey Falls power station's natural gas needs from November 1, 2011 through November 30, 2012. This agreement covers the commodity price of the natural gas molecule and its delivery. As at December 31, 2011, the unfavourable fair value of this contract amounted to \$5.6 million.

To partially stabilize the selling price of steam produced by the Kingsey Falls power station, the Corporation entered into a hedging contract to fix the selling price index on 50% of the steam sold to its client. This contract is effective for two years, from December 1, 2010 to November 30, 2012. As at December 31, 2011, the unfavourable fair value of this contract amounted to \$1.2 million.

These contracts qualify for hedge accounting.

## Interest Rate Risk

As at December 31, 2011, approximately 36% of non-current debt issued bears interest at variable rates. A sharp increase in interest rates in the future could affect the liquid assets available for the Corporation's development projects. However, since the Corporation uses interest rate swaps, its exposure to interest rate fluctuations is reduced to only 4% of total debt. As at December 31, 2011, the nominal balance of these swaps stood at \$293.7 million (€127.9 million and \$125.0 million) while their unfavourable fair value was \$37.3 million (€10.8 million and \$23.0 million).

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

All of these contracts qualify for hedge accounting.

## Commitments and contingencies

(in millions of C\$)	Current portion	1 to 5 years	Over 5 years	Total
Non-current debt	26.7	211.9	277.5	516.1
Purchase, supply and maintenance contracts	20.2	16.3	22.0	58.5
Operating leases on property	1.8	7.9	25.9	35.6
Joint Venture	54.6	211.6	29.8	296.0
<b>TOTAL</b>	<b>103.3</b>	<b>447.7</b>	<b>355.2</b>	<b>906.2</b>

### 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.

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
2012–2017	85.45–80.58	87.04–86.65
2018–2024	48.27	86.65
2025	48.27	121.79 or market <sup>(1)</sup>
2026 and thereafter	56.28 or market <sup>(1)</sup>	121.79 or market <sup>(1)</sup>

<sup>(1)</sup> 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, the indexation rate 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 (subject to certain minimum criteria) under long-term contracts maturing between 2017 and 2031. The contracts provide for annual indexation to indices relating to hourly wage costs and industry activity levels.
- (d) The steam production from the Kingsey Falls power station (Québec) is sold to Cascades under a contract expiring in 2012. 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 69 MW for the third Seigneurie de Beauré 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.
- (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 the Québec RCMs of Témiscouata and La Côte-de-Beauré. These power sales contracts have 20-year terms, which will begin when the wind farms are commissioned.

## Purchase, Supply and Maintenance Contracts

- (g) With respect to the wind power projects in France and in Canada, the Corporation signed maintenance contracts, including several turnkey agreements with suppliers such as Enercon GE and Qcells. The initial contract period is five to 15 years, with expenditures totalling \$41.9 million, of which approximately \$3.7 million is payable in 2012.
- (h) The Corporation has signed new equipment purchase agreements with respect to the wind power projects in Québec, Ontario and France. The total cost of the net commitments is \$2.0 million (€0.4 million, US\$0.5 million and \$1.0 million). Expenditures will largely be made during fiscal 2012.
- (i) The Corporation is committed to buy approximately 90% of the natural gas needs of its Kingsey Falls power station under a supply agreement signed in 1995 and expiring in 2012. Under the supply agreement, the price of the natural gas delivered in 2012 will equal market price, plus a 3% premium. In July 2010, the Corporation entered into a commodity swap contract to cover 90% of the Kingsey Falls power station's natural gas needs from November 1, 2011 through November 30, 2012. This agreement covers the commodity price of natural gas molecule for 13 months and its delivery for 12 months. Total disbursements under this agreement amount to approximately \$14.7 million, including the gas and its delivery to Kingsey Falls.

## Operating Leases on Property

- (j) 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 2011, the rent amounted to \$0.4 million (US\$0.4 million) (\$0.4 million and US\$0.4 million in 2010) and will be indexed at 3% per year until 2013. From 2014 onwards, the rent will vary at the rate of 30% of the power station's gross revenue.
- (k) For the Thames River Project, the Corporation leases land on which wind generators 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 \$0.6 million.
- (l) The land on which the wind power stations and the solar power facility are located in France is leased under emphyteutic leases with lease terms ranging from 30 to 99 years. Payments under these leases are due annually and are indexed each year, based on the Consumption Price Index and the Construction Cost Index published by the National Institute of Statistics and Economic Studies ("NISES") and represent an annual commitment of \$0.5 million (€0.4 million).
- (m) With respect to some of its hydroelectric power stations in Canada, the Corporation is party to various lease agreements for the sites of the facilities and the hydroelectric power rights necessary for the operation of the facilities. Under the terms of these agreements, expiring from 2015 to 2020, the Corporation pays rent based on the level of power generation.

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

Total minimum future lease payments for the South Glens Falls power station in New York State do not include contingent rental expense for years 26 through 40 of the lease agreement because of uncertainty surrounding the amounts. Rental expense in those years is based on a percentage of gross revenues. In addition, the leases provide NMPC a right of first refusal to acquire the hydroelectric facilities at fair market value at the end of the lease term. The leases also require the Corporation to convey title to the hydroelectric facilities if abandoned during the lease term and require NMPC to acquire, and the Corporation to sell, the hydroelectric facilities at the end of the lease term at the lower of fair market value or US\$10.0 million (Hudson Falls power station) and US\$5.0 million (South Glens Falls power station).

Total minimum future payments under these leases, excluding contingent rent for South Glens Falls, as of December 31, 2011 are as follows:

(in millions of C\$)	
Current portion	0.3
1 to 5 years	1.3
Over 5 years	9.7
<b>Total</b>	<b>11.3</b>

## Other

- (n) On August 25, 2011, Boralex obtained two amended building permits for the expansion of the Avignonet-Lauragais site comprising two turbines. These permits have been on appeal since October 12, 2011. This decision does not jeopardize the power sales contract with EDF nor operation of the expansion. Furthermore, this situation does not place Boralex in default under any credit agreement.
- (o) Hydroelectric power stations in Québec are subject to the *Dam Safety Act* and its regulation, which will gradually affect some of the Corporation's hydroelectric facilities. Depending on the region where the power stations are located, dams will have to comply with some criteria defined in this Act. Application of the Act should be phased in. Once the Corporation's recommendations are accepted by the *Ministère du Développement durable, de l'Environnement et des Parcs*, an action plan will be prepared reflecting the relative urgency of the work required. The St-Lambert power station is in compliance with the Act as at December 31, 2011 but is not affected as it is located on the St. Lawrence Seaway, which is not subject to this legislation.
- During fiscal 2012, Boralex will commence work on its power station in Buckingham (Québec) to ensure it complies with the Act. The studies carried out by management have led to the conclusion that the work, initially estimated at \$14.0 million is now estimated at \$12.0 million. Furthermore, management is continuing to assess various scenarios to optimize this investment by also undertaking an expansion of up to 10 MW of the power station's installed capacity. The Corporation expects that investments totalling \$1.0 million will be required for the facilities at other power stations to comply with the Act.
- (p) 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 business combination between Boralex and the Fund that took place on November 1, 2010 and, consequently, claims damages and interest amounting to almost \$14.0 million. The Corporation considers that this procedure has no basis in fact or in law and will defend itself vigorously. Therefore, the Corporation has not recorded any provision in respect of this litigation. Moreover, the Corporation filed its defence on September 12, 2011, including a counterclaim of nearly \$1.0 million.

## Joint Venture

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

### Sales Contracts

In 2008, the Joint Venture entered into power sales contracts with Hydro-Québec for a capacity of 272 MW for the Seigneurie de Beaupré wind farms 2 and 3. These contracts have 20-year terms, which begin when the wind farms are commissioned. 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 will be 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. 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.

### 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 will be made based on 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, reimburse the contractor for any loss of profit on work not carried out. As at December 31, 2011, the Corporation's share in the net commitments of the Joint Venture was \$234.0 million, consisting of €85.0 million and \$122.0 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 will be made based on percentage-of-completion. As at December 31, 2011, the Corporation's share in the net commitments of the Joint Venture was \$15.0 million. Also, the Joint Venture entered into a contract for the construction of the wind farm project's transformer station. Expenditures will be made using the percentage-of-completion method. As at December 31, 2011, the Corporation's share in the net commitments of the Joint Venture was \$3.0 million.

In December 2011, the Joint Venture entered into an agreement for the construction of the wind farm project's telecommunications network. Expenditures will be made using the percentage-of-completion method. As at December 31, 2011, the Corporation's share in the net commitments of the Joint Venture was \$0.1 million.

### Purchasing Contract

In November 2011, the Joint Venture entered into a contract to purchase transformers for the construction of the wind farm project's transformer station. As at December 31, 2011, the Corporation's share in the net commitments of the Joint Venture was \$2.0 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. 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, 2011, the Corporation's share in the net commitments of the Joint Venture was \$24.4 million for the next seven years.

### Land Lease Contracts

In June 2011, the Joint Venture entered into a land lease contract maturing in 2033, renewable automatically each year at the lessee's option. The land on which wind turbines will be installed is leased for an insignificant annual amount 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, 2011, the Corporation's share in the net commitments of the Joint Venture was \$17.5 million.

### Letters of Credit

As at December 31, 2011, the Corporation's share of the letters of credit issued by the Joint Venture amounted to \$12.0 million.

### Financing

On November 8, 2011, the Corporation finalized financing for construction work on the first two wind farms. This work will entail a total investment of over \$750 million. 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 \$260 million tranche 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 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 \$505.3 million with 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 weather variations from period to period. Variations in winter weather affect the demand for electrical heating requirements. Variations in summer weather affect the demand for electrical cooling requirements. These variations in demand translate into spot market price volatility, which affects a portion of the Corporation's revenues in the Northeastern United States.

### Hydrology

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

### Wind 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 may cause a variation in the station's output and the Corporation's revenues and profitability.

### Raw Material Supply

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

### Power Station Performance and Equipment Failure

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

### Development, Construction and Design

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

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

## Dam Safety

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

## Power Sales Agreements

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

## Key Employees

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

## Natural Disasters and Force Majeure Events

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

## Insurance Limits

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

## Energy Prices

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

## Non-Performance by Counterparties

The Corporation sells the majority of its power to a limited number of clients. The Corporation is exposed to credit-related losses in the event of the non-performance by counterparties to power purchase agreements and financial instruments. Credit risks arise from the potential for a counterparty to default on its contractual obligations and are limited to those contracts where the Corporation would incur a loss in replacing the defaulted transaction. The Corporation minimizes credit risk with counterparties to financial instruments and physical electricity and gas trades through the selection, monitoring and diversification of counterparties, use of standard trading contracts, collateral and other credit risk mitigation techniques.

Further, the Corporation's power sales agreements are almost exclusively with clients having longstanding credit histories or investment grade ratings. Where a client does not have a public credit rating, the Corporation assesses the credit risk and may require financial guarantees.

## Industry Risk and Competition

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

## Debts

Since the Corporation's projects require significant capital, it uses a project-based financing approach to maximize its leverage 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 is carrying non-current debt bearing interest at variable rates. As at December 31, 2011, only 4% of non-current debt issued, taking into consideration financial swaps, bore interest at variable rates, as did the Corporation's bank loans and overdraft. A sharp increase in interest rates in the future could affect the liquid assets available for the Corporation's development projects. In addition, the ability of the Corporation to refinance debt when due is dependent on capital market conditions which can change over time.

## Additional financing

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

## Foreign Exchange Risk

The Corporation is exposed to foreign exchange risk through certain operations and investments that require foreign currency translations. 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 18 of its 39 power stations are located in Canada, whereas 7 are in the United States and 14 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, licenses, permits and other approvals, and potential civil liability. Compliance with health, safety and environmental laws (and any future changes to these laws) and the requirements of licenses, permits and other approvals will remain material to the Corporation's business.

## Regulatory and Political Environment

The Corporation currently has significant operations in 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 is no assurance that economic and political conditions in the countries in which the Corporation operates or intends to operate, will continue as they are at present. The effect of these factors cannot be accurately predicted.

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

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

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

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

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

## Litigation

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

## Segment and Geographical Diversification

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

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

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

### Impairment of Assets

For impairment testing purposes, property, plant and equipment, intangible assets and goodwill are allocated to CGUs according to their type and external structures. The recoverable amount of a CGU is determined based on value-in-use calculations. In calculating value in use, the Corporation uses cash flow projections based on financial projections covering a five-year period. Cash flow projections beyond five years assume a long-term growth rate not exceeding gross domestic product for the respective countries. Cash flow projections are discounted using a rate adjusted for the economic and political risks of the specific location that are not reflected in the underlying cash flows specific to each CGU. Perpetuity maintenance capital expenditure has been estimated using the maintenance plan. The assumptions used in calculating value in use have considered the current economic environment, resulting in more conservative future value 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, discount rates, currency exchange rates, estimates of production costs, remaining useful lives and future capital expenditure.

### Electricity Selling Prices

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

### Remaining Useful Life

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

## Fair Value of Financial Instruments

All financial instruments are to be recognized at fair value on initial recognition and subsequently measured at amortized cost or fair value according to their classification.

Fair value measurement involves determining 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 measurement is conducted at a specific time and may be modified in future reporting periods due to market conditions or other factors.

Fair value is determined using quoted prices in the most advantageous active market to which the Corporation has immediate access. Where an active market does not exist, fair value is determined based on internal or external valuation models, such as discounted cash flow models. Fair value determined using 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, when available. Otherwise, the Corporation uses the best possible estimate. Since they are based on estimates, fair values may not be realized in an actual sale or immediate settlement of the instruments.

See note 26 to the consolidated financial statements as at December 31, 2011 for a more detailed explanation of the bases for the calculations and estimates used. Our derivative financial instruments are designated as hedging relationships and the impact of a change in their fair value on the statement of earnings is insignificant.

## Change in Accounting Estimate

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

As of April 1, 2011, the Corporation changed the useful life of a component for certain wind turbine models. The estimated life, which was formerly 15 years, was increased to 20 years, which now represents the estimated useful life for these models. This change in accounting estimate arose from new information obtained, as well as more experience regarding the component's estimated useful life. This revised estimate was recorded prospectively. The estimated annual impact of this change in accounting estimate is a decrease of approximately \$2.7 million in annual amortization expense for future periods. The impact of the change for fiscal 2011 was a \$2.0 million decrease in amortization expense.

## Future Changes in Accounting Policies

### IFRS 9, *Financial Instruments*

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

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

### IFRS 10, *Consolidated Financial Statements*

#### IAS 27, *Separate Financial Statements (Revised 2011)*

In May 2011, the IASB released IFRS 10, *Consolidated Financial Statements*, which supersedes SIC-12, *Consolidation—Special Purpose Entities*, and parts of IAS 27, *Consolidated and Separate Financial Statements*. New IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included in a company's consolidated financial statements. The standard provides additional guidance to assist in the determination of control where it is difficult to assess. Regarding IAS 27, the rules for separate financial statements are carried forward unchanged in the amended version of IAS 27. The other sections of IAS 27 are superseded by IFRS 10. IFRS 10 and IAS 27 (revised) will be effective for fiscal years of the Corporation beginning on or after January 1, 2013, with earlier adoption permitted. The Corporation has not yet assessed the impact of these standards on its consolidated financial statements or determined whether to opt for early adoption.

## **IFRS 11, *Joint Ventures***

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

In May 2011, the IASB released IFRS 11, *Joint Ventures*, which supersedes IAS 31, *Interests in Joint Ventures*, and SIC-13, *Jointly Controlled Entities–Non-monetary Contributions by Venturers*. IFRS 11 focuses on the rights and obligations of a joint arrangement, rather than its legal form as is currently the case under IAS 31. 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 a Joint Venture. Under this method, the share of net assets, net earnings and *Other comprehensive income (loss)* of the Joint Venture is reported on separate lines in the statements of financial position, earnings and comprehensive income (loss), respectively. The revised version of IAS 28 (2011), *Investments in Associates and Joint Ventures*, supersedes current IAS 28, *Interests in Associates*. IAS 28 has been amended to conform to the changes made on issuance of IFRS 10, IFRS 11 and IFRS 12. IFRS 11 and IAS 28 (revised) will be effective for fiscal years of the Corporation beginning on or after January 1, 2013, with earlier adoption permitted. The Corporation has not yet assessed the impact of adopting these standards on its consolidated financial statements.

### **IFRS 12, *Disclosure of Interests in Other Entities***

In May 2011, the IASB released IFRS 12, *Disclosure of Interests in Other Entities*. IFRS 12 is a new standard on disclosure requirements for all forms of interests in other entities, including joint ventures, associates, special purpose entities and other off-balance sheet 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. IFRS 12 will be effective for the fiscal years of the Corporation beginning on or after January 1, 2013, with earlier adoption permitted. The Corporation has not yet assessed the impact of adopting this standard on its consolidated financial statements or determined whether to opt for early adoption.

### **IFRS 13, *Fair Value Measurement***

In May 2011, the IASB released IFRS 13, *Fair Value Measurement*. IFRS 13 will improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement, as well as disclosure requirements for use across IFRS. The standard will be effective for the fiscal years of the Corporation beginning on or after January 1, 2013, with earlier adoption permitted. The Corporation has not yet assessed the impact of adopting this standard on its consolidated financial statements or determined whether to opt for early adoption.

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

In June 2011, the IASB released an amended version of IAS 1, *Presentation of Financial Statements*. This amended standard requires that comprehensive income (loss) be classified by nature: items that will not be reclassified to net earnings during a subsequent period and items that will be reclassified subsequently to net earnings when specific conditions are met. IAS 1 (2011) further requires separate reporting of the share of *Other comprehensive income (loss)* of associates and joint ventures accounted for using the equity method. The standard will be effective for the fiscal years of the Corporation beginning on or after July 1, 2012, with earlier adoption permitted. The Corporation has not yet assessed the impact of adopting this standard on its consolidated financial statements or determined whether to opt for early adoption.

## Internal Controls and Procedures

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

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

During the year ended December 31, 2011, 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. However, specific controls have been implemented for the transition to IFRS, and these controls have been maintained throughout the transition year.

# 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 9, 2012

# 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, 2011 and 2010 and January 1, 2010 and the consolidated statements of earnings, comprehensive income (loss), changes in equity and cash flows for the years ended December 31, 2011 and 2010, and the 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, 2011 and 2010 and January 1, 2010 and their financial performance and their cash flows for the years ended December 31, 2011 and 2010, in accordance with IFRS.

(s) PricewaterhouseCoopers LLP<sup>1</sup>

Montréal, Canada  
March 9, 2012

---

<sup>1</sup>Chartered accountant auditor permit no. 19653

# Consolidated Statements of Financial Position

(in thousands of Canadian dollars)	Note	As at December 31, <b>2011</b>	As at December 31, <b>2010</b>	As at January 1, <b>2010</b>
<b>ASSETS</b>				
Cash and cash equivalents		144,703	92,650	37,821
Restricted cash		18,288	15,924	-
Trade and other receivables	6	50,500	60,420	39,632
Inventories	7	3,573	9,179	8,726
Other current financial assets	26	-	769	-
Available-for-sale financial asset		2,208	23,251	-
Prepaid expenses		2,137	2,516	2,537
<b>CURRENT ASSETS</b>		<b>221,409</b>	<b>204,709</b>	<b>88,716</b>
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	8	643,047	738,884	412,707
Energy sales contracts	9	97,705	103,994	49,023
Water rights	9	111,844	113,015	4,146
Goodwill	9	38,063	38,063	-
Other intangible assets	9	5,285	15,432	8,363
Investment in the Fund		-	-	45,729
Interest in the Joint Venture	10	45,266	-	-
Other non-current financial assets	26	-	-	7,297
Other non-current assets	11	14,236	31,410	36,815
<b>NON-CURRENT ASSETS</b>		<b>955,446</b>	<b>1,040,798</b>	<b>564,080</b>
<b>TOTAL ASSETS</b>		<b>1,176,855</b>	<b>1,245,507</b>	<b>652,796</b>
<b>LIABILITIES</b>				
Bank loans and overdraft		-	195	12,291
Trade and other payables	12	34,209	59,558	31,798
Current portion of debt	13	26,659	34,033	24,273
Current income tax liability		10,776	3,209	283
Other current financial liabilities	26	29,757	183	-
<b>CURRENT LIABILITIES</b>		<b>101,401</b>	<b>97,178</b>	<b>68,645</b>
<b>NON-CURRENT LIABILITIES</b>				
Non-current debt	13	479,525	479,546	206,116
Convertible debentures	14	223,347	220,824	-
Deferred income tax liability	15	26,031	66,455	33,181
Other non-current financial liabilities	26	14,273	10,834	7,645
Other non-current liabilities		3,400	2,981	-
<b>NON-CURRENT LIABILITIES</b>		<b>746,576</b>	<b>780,640</b>	<b>246,942</b>
<b>TOTAL LIABILITIES</b>		<b>847,977</b>	<b>877,818</b>	<b>315,587</b>
<b>EQUITY</b>				
Equity attributable to shareholders	16, 17, 18	321,764	359,357	330,178
Non-controlling interests	19	7,114	8,332	7,031
<b>TOTAL EQUITY</b>		<b>328,878</b>	<b>367,689</b>	<b>337,209</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1,176,855</b>	<b>1,245,507</b>	<b>652,796</b>

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 9, 2012.

(s) Bernard Lemaire

**Bernard Lemaire**, Director

(s) Pierre Seccareccia

**Pierre Seccareccia**, Director

# Consolidated Statements of Earnings

(in thousands of Canadian dollars, except per share amounts)	Note	2011	2010
<b>REVENUES</b>			
Revenues from energy sales		194,025	102,812
Management revenues from the Fund		-	4,437
Other income		680	718
		194,705	107,967
<b>COSTS AND OTHER EXPENSES</b>			
Operating expenses	20	73,038	42,171
Administrative	20	17,238	15,026
Development		3,523	4,213
Management and operation of the Fund		-	3,995
Amortization		57,833	31,383
Impairment of property, plant and equipment	8	1,503	-
Impairment of goodwill		-	23,158
Net gain on deemed disposal of investment in the Fund	5	-	(24,744)
Other gains	21	(2,959)	(774)
		150,176	94,428
<b>OPERATING INCOME</b>			
		44,529	13,539
Financing costs	22	49,664	23,850
Foreign exchange loss (gain)		(961)	701
Net loss on financial instruments		972	241
<b>LOSS BEFORE THE FOLLOWING ITEMS</b>			
		(5,146)	(11,253)
Share in loss of the Fund		-	(3,148)
Share in loss of the Joint Venture		(150)	-
Income tax recovery	15	(2,311)	(38,016)
<b>NET EARNINGS (LOSS) FROM CONTINUING OPERATIONS</b>			
Net earnings from discontinued operations	23	(2,985)	23,615
		5,489	11,658
<b>NET EARNINGS</b>			
		2,504	35,273
<b>NET EARNINGS (LOSS) ATTRIBUTABLE TO:</b>			
Shareholders of Boralex		2,883	35,072
Non-controlling interests		(379)	201
<b>NET EARNINGS</b>			
		2,504	35,273
<b>NET EARNINGS (LOSS) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX:</b>			
Continuing operations		(2,606)	23,414
Discontinued operations		5,489	11,658
		2,883	35,072
<b>NET EARNINGS (LOSS) PER SHARE (BASIC AND DILUTED) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX:</b>			
Continuing operations		\$(0.07)	\$0.62
Discontinued operations		\$0.15	\$0.31
	24	\$0.08	\$0.93

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

# Consolidated Statements of Comprehensive Income (Loss)

(in thousands of Canadian dollars)	Note	2011	2010
<b>NET EARNINGS</b>		2,504	35,273
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>	18		
Translation adjustments			
Unrealized foreign exchange gain (loss) on translation of financial statements of self-sustaining foreign operations		4,996	(15,543)
Taxes		-	(179)
Cash flow hedges			
Change in fair value of financial instruments		(53,948)	(14,470)
Hedging items realized and recognized in net earnings		6,040	2,884
Hedging items realized and recognized in statement of financial position		198	5,652
Taxes		13,405	1,831
Cash flow hedges – Joint Venture			
Change in fair value of financial instruments		(13,461)	-
Taxes		3,579	-
Available-for-sale financial asset			
Change in fair value of an available-for-sale financial asset		(278)	(727)
Items realized and recorded in net earnings		(624)	-
Discontinued operations		(2,021)	(2,998)
<b>Total other comprehensive loss</b>		<b>(42,114)</b>	<b>(23,550)</b>
<b>COMPREHENSIVE INCOME (LOSS)</b>		<b>(39,610)</b>	<b>11,723</b>
<b>COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:</b>			
Shareholders of Boralex		(38,392)	12,711
Non-controlling interests		(1,218)	(988)
<b>COMPREHENSIVE INCOME (LOSS)</b>		<b>(39,610)</b>	<b>11,723</b>
<b>COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX:</b>			
Continuing operations		(41,860)	4,051
Discontinued operations		3,468	8,660
		<b>(38,392)</b>	<b>12,711</b>

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

# Consolidated Statements of Changes in Equity

2011

(in thousands of Canadian dollars)	Equity attributable to shareholders						Non-controlling interests	Total equity
	Equity component		Contributed surplus	Retained earnings	Other comprehensive loss			
	Capital stock	of convertible debentures			Total	loss		
<b>Balance as at January 1, 2011</b>	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)
<b>Comprehensive income (loss)</b>	-	-	-	2,883	(41,275)	(38,392)	(1,218)	(39,610)
Conversion of convertible debentures	258	-	-	-	-	258	-	258
Share repurchase	(353)	-	-	(75)	-	(428)	-	(428)
Stock option expense (note 17)	-	-	1,078	-	-	1,078	-	1,078
Other	-	(109)	-	-	-	(109)	-	(109)
<b>Balance as at December 31, 2011</b>	222,758	14,379	6,106	144,501	(65,980)	321,764	7,114	328,878

2010

(in thousands of Canadian dollars)	Equity attributable to shareholders						Non-controlling interests	Total equity
	Equity component		Contributed surplus	Retained earnings	Other comprehensive loss			
	Capital stock	of convertible debentures			Total	loss		
<b>Balance as at January 1, 2010</b>	222,694	-	4,290	105,538	(2,344)	330,178	7,031	337,209
Net earnings	-	-	-	35,072	-	35,072	201	35,273
Other comprehensive loss	-	-	-	-	(22,361)	(22,361)	(1,189)	(23,550)
<b>Comprehensive income (loss)</b>	-	-	-	35,072	(22,361)	12,711	(988)	11,723
Conversion of convertible debentures	26	-	-	-	-	26	-	26
Options exercised	133	-	-	-	-	133	-	133
Excess of purchase price paid for acquisition of non-controlling interests	-	-	-	(2,332)	-	(2,332)	42	(2,290)
Excess of proceeds from partial sale of a subsidiary (note 19)	-	-	-	3,415	-	3,415	-	3,415
Stock option expense (note 17)	-	-	738	-	-	738	-	738
Issuance of convertible debentures and imputed interest	-	14,488	-	-	-	14,488	-	14,488
Contribution of non-controlling interest	-	-	-	-	-	-	2,247	2,247
<b>Balance as at December 31, 2010</b>	222,853	14,488	5,028	141,693	(24,705)	359,357	8,332	367,689

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

# Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)	Note	2011	2010
Net earnings attributable to shareholders of Boralex		2,883	35,072
Less: Net earnings from discontinued operations	23	5,489	11,658
Net earnings (loss) from continuing operations attributable to shareholders of Boralex		(2,606)	23,414
Distributions received from the Fund		-	4,475
Financing costs		49,664	23,850
Interest paid		(47,134)	(24,312)
Income tax recovery		(2,311)	(38,016)
Income taxes paid		(4,337)	(2,524)
Non-cash items in earnings (loss):			
Net loss on financial instruments		972	241
Share in loss of the Joint Venture		150	-
Share in loss of the Fund		-	3,148
Amortization		57,833	31,383
Impairment of property, plant and equipment	8	1,503	-
Impairment of goodwill		-	23,158
Gain on sale of assets	21	(2,377)	(774)
Gain on sale of assets to the Joint Venture	21	(582)	-
Gain on deemed disposal of investment in the Fund	5	-	(30,874)
Other		3,465	1,592
		54,240	14,761
Change in non-cash items related to operating activities	25	11,891	(613)
<b>NET CASH FLOWS RELATED TO OPERATING ACTIVITIES</b>		<b>66,131</b>	<b>14,148</b>
Additions to property, plant and equipment		(34,419)	(183,948)
Change in restricted cash		(2,364)	(15,924)
Business acquisition – the Fund	5	-	(38,811)
Business acquisition – Other		(700)	(2,142)
Increase in interest in the Joint Venture	10	(52,949)	-
Proceeds from sale of a subsidiary		-	878
Change in reserve funds		(2)	883
Development projects		(1,620)	(2,046)
Proceeds from sale of asset	21	4,200	-
Other		436	35
<b>NET CASH FLOWS RELATED TO INVESTING ACTIVITIES</b>		<b>(87,418)</b>	<b>(241,075)</b>
Decrease in bank loans and overdraft		(195)	(12,096)
Net increase in non-current debt		39,674	267,051
Repayments on non-current debt		(45,035)	(73,608)
Net issuance of convertible debentures		-	103,945
Redemption of financial instruments prior to maturity		(15,670)	-
Share repurchase		(428)	-
Net proceeds from share issuance		-	133
Distributions paid to unitholders		-	(1,565)
Repurchase of non-controlling interests – the Fund	5	-	(32,421)
Repurchase of non-controlling interests – Other		-	(1,751)
Increase in non-controlling interests		-	5,662
Other		(5)	-
<b>NET CASH FLOWS RELATED TO FINANCING ACTIVITIES</b>		<b>(21,659)</b>	<b>255,350</b>
Cash from discontinued operations, including proceeds on disposal	23	94,770	30,679
<b>TRANSLATION ADJUSTMENT ON CASH AND CASH EQUIVALENTS</b>		<b>229</b>	<b>(4,273)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>52,053</b>	<b>54,829</b>
<b>CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR</b>		<b>92,650</b>	<b>37,821</b>
<b>CASH AND CASH EQUIVALENTS – END OF YEAR</b>		<b>144,703</b>	<b>92,650</b>

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

# Notes to Consolidated Financial Statements

As at December 31, 2011

(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 21 wind power stations, 14 hydroelectric power stations, three 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 Company is incorporated under the *Canada Business Corporations Act*. Boralex’s head office is located at 36 Lajeunesse St., Kingsey Falls, Québec, Canada and its shares and convertible debentures are listed on the Toronto Stock Exchange (“TSX”).

(\*The data expressed in MW and MWh contained in notes 23, 31 and 32 have not been reviewed by the auditor.)

## Note 2.

### Basis of Presentation and IFRS Adoption

The consolidated financial statements were previously prepared in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”) in accordance with Part V of the *CICA Handbook*. For periods beginning on or after January 1, 2011, Canadian GAAP for publicly accountable enterprises have been revised to conform to 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”).

These consolidated financial statements are the first annual financial statements prepared under IFRS. The consolidated financial statements have been prepared in accordance with IFRS 1, “First-time Adoption of International Financial Reporting Standards.” The Corporation has consistently applied the same accounting policies for all of the periods presented, as if these policies had always been in effect as of January 1, 2010. Note 33 discloses the impact of the transition to IFRS on the Corporation’s consolidated earnings and comprehensive income (loss) for the year ended December 31, 2010, as well as on its consolidated equity and financial position as at December 31, 2010 and January 1, 2010, including the nature and effect of significant changes in accounting policies from those used in the Corporation’s consolidated financial statements for the year ended December 31, 2010.

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 policies applied in these audited consolidated financial statements are based on IFRS issued and in effect as of March 9, 2012, the date the Board of Directors approved the financial statements.

## 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 income (loss).

#### Basis of Consolidation

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

##### (a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Corporation has the power to govern the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible by the Corporation are considered when assessing whether the Corporation controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Corporation and are deconsolidated on the date control ends. Intercompany transactions and balances and unrealized gains and losses on transactions between these entities are eliminated.

##### (b) Joint Venture

A joint venture is an entity in which the Corporation has a long-term interest and whose strategic, financial and operating decisions are jointly controlled with a joint venturer under a contractual agreement. 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 on the consolidated statement of earnings. 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) Transactions and Non-controlling Interests

Non-controlling interests represent interests held by third parties in subsidiaries. The net assets of the subsidiary attributable to non-controlling interests are reported as a component of equity. Their share in net earnings (loss) and comprehensive income (loss) is recognized directly in equity. Any change in the Corporation's interest in a subsidiary that does not result in a loss of control is accounted for as an equity 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 interests issued by the Corporation, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed 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 generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable assets acquired. It is calculated as the excess of the sum of the fair value of consideration transferred, the amount of any non-controlling interest 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 as a profit or loss immediately.

## Foreign Currency Translation

### Functional and Presentation 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 the year. Translation gains or losses are deferred and included in *Other comprehensive income (loss)*. When a foreign company is disposed of, translation gains or losses accumulated in *Other comprehensive income (loss)* are maintained in comprehensive income (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.

### 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 except for those resulting from 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 market value determined using market prices. Directly attributable transaction costs and any changes in fair value are recognized in net earnings.

#### (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 allowance 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 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.

### Note 3. Significant Accounting Policies (Cont'd)

#### (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 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, Bank loans and overdraft, 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 certain 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 under *Net loss on financial instruments*.

Amounts accumulated in equity are reclassified to net earnings in the periods in which the hedged item affects net earnings (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 amounts are included in the amortization of property, plant and equipment.

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 to known amounts of cash and subject to insignificant risk of changes in value.

## Note 3. Significant Accounting Policies (Cont'd)

### 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 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 stations are amortized by component using the straight-line method until their contracts expire, in 2012 or 2013. 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 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.

### Water Rights

The water rights related to all the hydroelectric power stations except for Buckingham (as this asset has an indefinite 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 is detected.

### 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.

### CO<sub>2</sub> Quota

The quota is recognized at its market value on the allocation date. The Corporation then records an asset and a liability for that same amount. The asset represents the allocated quota, while the liability represents the estimated cost of its consumption. However, if estimated consumption exceeds the quota, the Corporation would recognize an additional liability based on market value at that date, which would affect the Corporation's earnings. On the other hand, if estimated consumption is less than the quota, the Corporation would be in a position to sell its excess quota. In that event, the Corporation must wait until the execution of a sale before it can reduce its assets and liabilities. Finally, if, subsequent to a sale, the Corporation determined that its consumption had increased and that it had insufficient residual quota, it would recognize an additional liability at market value at that date.

## 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 lifetime. 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 restricted funds, consisting of deposit certificates, are valued at the lower of cost and market value.

## 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 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.

## Note 3. Significant Accounting Policies (Cont'd)

### Impairment of Assets

Non-current assets with indefinite useful lives, specifically the goodwill and water rights of the Buckingham power station, are not amortized and are tested for recoverability annually on October 31 or if trigger events occur. Non-current assets with finite useful lives are tested for recoverability 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. No impairment reversals are recognized for goodwill.

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. No significant provisions were recognized as at December 31, 2011 and 2010, and as at January 1, 2010.

### 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. No significant provisions were recognized as at December 31, 2011 and 2010, and as at January 1, 2010.

### Restoration, Retirement and Environmental Costs

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

The Corporation has no obligation to dismantle and restore 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 site restoration. For the other hydroelectric power stations located on private property belonging to Boralex, the likelihood of such an obligation arising is low since the dismantling 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. The Corporation assesses the likelihood of an exit as low and therefore, the fair value of the obligation is not significant due to the impact of discounting over the long term.

### Note 3. Significant Accounting Policies (Cont'd)

For the wind power sites, the Corporation has a legal or contractual obligation to dismantle its facilities if and when it decides to discontinue operations. These costs are mostly related to the removal, transportation and disposal of the reinforced concrete bases that support the wind turbines. The estimated cost of this work varies from \$70,000 to \$135,000 per wind turbine. The current business plan does not anticipate that the Corporation will stop operating these sites. Accordingly, given the impact of discounting over the long term, the obligation is not significant.

Lastly, 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 be approximately \$100,000. Given the impact of discounting over the long term, the obligation is not 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 tax. This expense is recognized in net earnings, 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. 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 deductible 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 over the vesting period for senior management with an offsetting increase in *Contributed surplus*. Fair value is determined using the Black-Scholes option pricing model, which was designed to estimate the fair value of exchange-traded options that have no restrictions as to vesting and are entirely transferable. Some of the outstanding options carry restrictions but, in the Corporation's opinion, the Black-Scholes model provides an appropriate estimate of fair value in these cases. Any consideration paid by employees on the exercise of stock options is credited to *Capital stock*.

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.

## Note 3. Significant Accounting Policies (Cont'd)

### Management Revenues from the Fund and Other Income

Management revenues from the Fund (until September 15, 2010) and other income are 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.

### Change in Accounting Estimate

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

As of April 1, 2011, the Corporation changed the useful life of a component for certain wind turbine models. The estimated life, which was formerly 15 years, was increased to 20 years, which now represents the estimated useful life for these models. This change in accounting estimate arose from new information obtained, as well as more experience regarding the component's estimated useful life. This revised estimate was recorded prospectively. The estimated annual impact of this change in accounting estimate is a decrease of approximately \$2,700,000 in annual amortization expense for future periods. The impact of the change for fiscal 2011 was a \$2,025,000 decrease in amortization expense.

### Future Changes in Accounting Policies

#### IFRS 9, *Financial Instruments*

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

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

#### IFRS 10, *Consolidated Financial Statements*

#### IAS 27, *Separate Financial Statements (Revised 2011)*

In May 2011, the IASB released IFRS 10, *Consolidated Financial Statements*, which supersedes SIC-12, *Consolidation—Special Purpose Entities*, and parts of IAS 27, *Consolidated and Separate Financial Statements*. New IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included in a company's consolidated financial statements. The standard provides additional guidance to assist in the determination of control where it is difficult to assess. Regarding IAS 27, the rules for separate financial statements are carried forward unchanged in the amended version of IAS 27. The other sections of IAS 27 are superseded by IFRS 10. IFRS 10 and IAS 27 (revised) will be effective for fiscal years of the Corporation beginning on or after January 1, 2013, with earlier adoption permitted. The Corporation has not yet assessed the impact of these standards on its consolidated financial statements or determined whether to opt for early adoption.

### Note 3. Significant Accounting Policies (Cont'd)

#### **IFRS 11, *Joint Ventures***

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

In May 2011, the IASB released IFRS 11, *Joint Ventures*, which supersedes IAS 31, *Interests in Joint Ventures*, and SIC-13, *Jointly Controlled Entities–Non-monetary Contributions by Venturers*. IFRS 11 focuses on the rights and obligations of a joint arrangement, rather than its legal form as is currently the case under IAS 31. 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 a Joint Venture. Under this method, the share of net assets, net earnings and *Other comprehensive income (loss)* of the Joint Venture is reported on separate lines in the statements of financial position, earnings and comprehensive income (loss), respectively. The revised version of IAS 28 (2011), *Investments in Associates and Joint Ventures*, supersedes current IAS 28, *Interests in Associates*. IAS 28 has been amended to conform to the changes made on issuance of IFRS 10, IFRS 11 and IFRS 12. IFRS 11 and IAS 28 (revised) will be effective for fiscal years of the Corporation beginning on or after January 1, 2013, with earlier adoption permitted. The Corporation has not yet assessed the impact of adopting these standards on its consolidated financial statements.

##### **IFRS 12, *Disclosure of Interests in Other Entities***

In May 2011, the IASB released IFRS 12, *Disclosure of Interests in Other Entities*. IFRS 12 is a new standard on disclosure requirements for all forms of interests in other entities, including joint ventures, associates, special purpose entities and other off-balance sheet 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. IFRS 12 will be effective for the fiscal years of the Corporation beginning on or after January 1, 2013, with earlier adoption permitted. The Corporation has not yet assessed the impact of adopting this standard on its consolidated financial statements or determined whether to opt for early adoption.

##### **IFRS 13, *Fair Value Measurement***

In May 2011, the IASB released IFRS 13, *Fair Value Measurement*. IFRS 13 will improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement, as well as disclosure requirements for use across IFRS. The standard will be effective for the fiscal years of the Corporation beginning on or after January 1, 2013, with earlier adoption permitted. The Corporation has not yet assessed the impact of adopting this standard on its consolidated financial statements or determined whether to opt for early adoption.

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

In June 2011, the IASB released an amended version of IAS 1, *Presentation of Financial Statements*. This amended standard requires that comprehensive income (loss) be classified by nature: items that will not be reclassified to net earnings during a subsequent period and items that will be reclassified subsequently to net earnings when specific conditions are met. IAS 1 (2011) further requires separate reporting of the share of *Other comprehensive income (loss)* of associates and joint ventures accounted for using the equity method. The standard will be effective for the fiscal years of the Corporation beginning on or after July 1, 2012, with earlier adoption permitted. The Corporation has not yet assessed the impact of adopting this standard on its consolidated financial statements or determined whether to opt for early adoption.

## Note 4.

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

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

#### Impairment of Assets

For impairment testing purposes, property, plant and equipment, intangible assets and goodwill are allocated to CGUs according to their type and external structures. The recoverable amount of a CGU is determined based on value-in-use calculations. In calculating value in use, the Corporation uses cash flow projections based on financial projections covering a five-year period. Cash flow projections beyond five years assume a long-term growth rate not exceeding gross domestic product for the respective countries. Cash flow projections are discounted using a rate adjusted for the economic and political risks of the specific location that are not reflected in the underlying cash flows specific to each CGU. Perpetuity maintenance capital expenditures have been estimated using the maintenance plan. The assumptions used in calculating value in use have considered the current economic environment, resulting in more conservative future value 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, discount rates, currency exchange rates, estimates of production costs, remaining useful lives and future capital expenditures.

#### Power Sales Contracts

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

#### Remaining Useful Life

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

#### Fair Value of Financial Instruments

All financial instruments are to be recognized at fair value on initial recognition and subsequently measured at amortized cost or fair value according to their classification.

Fair value measurement involves determining 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 measurement is conducted at a specific time and may be modified in future reporting periods due to market conditions or other factors.

Fair value is determined using quoted prices in the most advantageous active market to which the Corporation has immediate access. Where an active market does not exist, fair value is determined based on internal or external valuation models, such as discounted cash flow models. Fair value determined using 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, when available. Otherwise, the Corporation uses the best possible estimate. Since they are based on estimates, fair values may not be realized in an actual sale or immediate settlement of the instruments.

See note 26 for a more detailed explanation of the bases for the calculations and estimates used. As our derivative financial instruments are designated in hedging relationships, the impact of a change in their fair value on earnings is insignificant.

## Note 5.

### Business Combinations

#### Acquisition of the Fund–Description of Transaction

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

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

#### Acquisition of the Fund–Recognition of Transaction

The acquisition was accounted for by the Corporation using the acquisition method set out in IFRS 3, *Business Combinations*. The Fund’s earnings are consolidated as of September 15, 2010 with a share of non-controlling interests up to October 30, 2010. The statement of financial position of the Fund is consolidated as at December 31, 2010. The acquisition of the Fund was carried out in two steps: (1) deemed disposal of the Corporation’s interest in the Fund and calculation of the gain on the disposal, and (2) acquisition of all the units of the Fund at fair value and finalization of the purchase price allocation (“PPA”).

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

The gain on deemed disposal of the 23.3% investment in the Fund that the Corporation held when it acquired control of the Fund is calculated as follows:

Fair value of investment (13,767,990 units at \$5 per unit)	68,840
Carrying amount of investment in the Fund as at September 15, 2010	37,960
	30,880
Realized cumulative translation adjustments of the Fund	(6)
Gain on deemed disposal of investment	30,874

The gain on disposal of investment, net of acquisition costs of \$6,130,000, was recognized in the statement of earnings as a net amount of \$24,744,000.

Note 5. Business Combinations (Cont'd)

**(2) Acquisition of the Fund:**

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

	Preliminary purchase price allocation	Final purchase price allocation
Working capital	19,887	19,886
Available-for-sale financial asset	-	23,978
Property, plant and equipment	277,740	205,888
Energy sales contracts	49,164	53,610
Water rights	-	110,792
Other non-current assets	5,347	8,313
Non-current debt	(117,867)	(117,867)
Financial instrument	-	(1,477)
Other non-current liabilities	(2,995)	(2,995)
Deferred taxes	(25,128)	(66,009)
Net assets	206,148	234,119
Goodwill	89,192	61,221
Fair value	295,340	295,340
Less:		
Cash and cash equivalents acquired		(19,368)
Issuance of convertible debentures		(135,900)
Value of units already held by Boralex		(68,840)
<b>Total cash consideration paid for acquisition</b>		<b>71,232</b>
Cash consideration paid at time of the acquisition		38,811
Cash consideration paid for the purchase of non-controlling interests		32,421
<b>Total cash consideration paid for the acquisition</b>		<b>71,232</b>

In 2011, the Corporation finalized the PPA for the Fund, which was acquired on September 15, 2010, and retrospectively adjusted to September 15, 2010 the preliminary purchase price allocation. This final PPA was based on the market value on the acquisition date determined with the assistance of independent professional valuers. At that date, the Fund had the status of a trust and the PPA made by the Corporation took into consideration the high income tax rates applicable to trusts on distributed earnings. This PPA is final.

On November 2, 2010, the Corporation carried out a reorganization of the tax structure of the Fund, including its initial operations, which resulted in the elimination of entities of the Fund and the revocation of its trust status. These high income tax rates generated a deferred income tax liability in the amount of \$23,158,000 as at September 15, 2010 and resulted in goodwill of \$23,158,000. The Corporation subsequently remeasured its deferred income tax balances using the new income tax rate. This remeasurement led to a decrease in the deferred income tax liability of \$23,158,000 and to an increase in the net assets of the Fund.

As a result of this reorganization, the Corporation tested goodwill for impairment due to an indication that the recoverable amount will be lower than the carrying amount of goodwill. Subsequent to this test, during the fourth quarter of 2010, the Corporation recognized a goodwill impairment charge of \$23,158,000. Accordingly, goodwill totalled \$38,063,000 as at December 31, 2010. This goodwill is attributable to the synergy expected from the combination of the operations of the Fund with those of the Corporation. The goodwill is not deductible for tax purposes.

For the year ended December 31, 2010 the Fund, on a stand-alone basis, contributed revenues from energy sales totalling \$30,205,000 and net earnings of \$421,000 to the consolidated statement of earnings, representing amounts since the September 15, 2010 acquisition date. Had the acquisition occurred on January 1, 2010, the equivalent of 12 months of the Fund's results would have been included in the consolidated results and management estimates that consolidated revenues from energy sales and net earnings attributable to shareholders would have amounted to \$265,168,000 and \$18,946,000, respectively, for the year ended December 31, 2010. These estimates are based on the assumption that the fair market value adjustments that arose on the date of acquisition would have been the same had the acquisition occurred on January 1, 2010.

## Note 6.

### Trade and Other Receivables

	As at December 31, <b>2011</b>	As at December 31, <b>2010</b>	As at January 1, <b>2010</b>
Trade receivables – net	33,666	39,078	29,620
Receivables from related parties (note 30)	5,813	3,950	2,495
Other receivables	11,021	17,392	7,517
	<b>50,500</b>	<b>60,420</b>	<b>39,632</b>

All the above amounts are current and their net carrying amounts reasonably approximate their fair value.

The Corporation has made an insignificant provision for the accounts in the above table as the amounts are considered recoverable given the clients' current credit ratings. As at December 31, 2011, approximately 2% of trade and other receivables (1% as at December 31, 2010 and 2% as at January 1, 2010) were over 90 days past due after being invoiced, while approximately 86% of accounts (94% as at December 31, 2010 and January 1, 2010) were current (under 30 days).

## Note 7.

### Inventories

	As at December 31, <b>2011</b>	As at December 31, <b>2010</b>	As at January 1, <b>2010</b>
Replacement parts	3,140	3,555	1,350
Wood residue	385	5,310	7,127
Other raw materials	48	314	249
	<b>3,573</b>	<b>9,179</b>	<b>8,726</b>

The Corporation recognized an inventory expense of \$7,895,000 in 2011 (\$2,485,000 in 2010) under *Operating expenses* in the statement of earnings.

## Note 8.

### Property, Plant and Equipment

	Wind power stations	Hydroelectric power stations	Thermal power stations	Solar power station	Corporate	Total
<b>As at January 1, 2010</b>						
Cost	338,723	29,759	148,189	-	10,566	527,237
Accumulated amortization	(51,180)	(4,588)	(55,797)	-	(2,965)	(114,530)
Net carrying amount	287,543	25,171	92,392	-	7,601	412,707
<b>Year ended December 31, 2010</b>						
Balance – beginning of year	287,543	25,171	92,392	-	7,601	412,707
Translation adjustment	(19,669)	(3,668)	(920)	(18)	(84)	(24,359)
Additions	181,387	2,354	1,164	5,141	(530)	189,516
Additions via business acquisitions	-	157,813	48,075	-	-	205,888
Disposals	(9,569)	(143)	26	-	-	(9,686)
Amortization	(18,801)	(2,734)	(3,784)	-	(630)	(25,949)
Discontinued operations	-	-	(9,167)	-	-	(9,167)
Other changes	(542)	230	605	1,600	(1,959)	(66)
Balance – end of year	420,349	179,023	128,391	6,723	4,398	738,884
<b>As at December 31, 2010</b>						
Cost	481,574	185,011	191,351	6,723	7,909	872,568
Accumulated amortization	(61,225)	(5,988)	(62,960)	-	(3,511)	(133,684)
Net carrying amount	420,349	179,023	128,391	6,723	4,398	738,884
<b>Year ended December 31, 2011</b>						
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
<b>As at December 31, 2011</b>						
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

Amortization of property, plant and equipment is presented under *Amortization*. Amortization of property, plant and equipment amounted to \$47,791,000 for the year ended December 31, 2011 (\$25,948,000 in 2010) including \$1,823,000 related to finance leases (\$1,874,000 in 2010). Cost and accumulated amortization of assets under finance leases totalled \$28,378,000 and \$16,239,000, respectively, as at December 31, 2011 (\$28,649,000 and \$14,630,000 as at December 31, 2010 and \$32,265,000 and \$14,422,000 as at January 1, 2010).

Assets include replacement parts amounting to \$3,445,000 (\$4,092,000 as at December 31, 2010 and \$2,502,000 as at January 1, 2010) and power stations under construction totalling \$56,000 (\$30,714,000 as at December 31, 2010 and \$44,694,000 as at January 1, 2010). These assets are not amortized until they are commissioned.

An amount of \$1,506,000 relating to additions to property, plant and equipment was still unpaid as at December 31, 2011 (\$6,751,000 in 2010) and included under *Trade and other payables*.

## Note 8. Property, Plant and Equipment (Cont'd)

As at December 31, 2011, interest in the amount of \$12,687,000 was capitalized to the cost of property, plant and equipment (\$12,243,000 as at December 31, 2010 and \$4,393,000 as at January 1, 2010).

### Impairment of Property, Plant and Equipment

	As at December 31, <b>2011</b>	As at December 31, <b>2010</b>	As at January 1, <b>2010</b>
Thermal power stations	1,503	-	-

In September 2011, an impairment charge of \$6,503,000 was recorded against the value of property, plant and equipment at the Dolbeau wood-residue thermal power station. This charge was taken subsequent to the decision to close this power station definitively. The carrying amount of the property, plant and equipment was reduced to the recoverable amount. Following the finalization of a \$5,000,000 asset sale agreement initiated in December 2011, a corresponding impairment reversal was recognized. The impairment charge is recorded under *Impairment of property, plant and equipment* in the consolidated statement of earnings.

## Note 9.

### Energy Sales Contracts, Water Rights, Goodwill and Other Intangible Assets

	Energy sales contracts	Water rights	Goodwill	Other intangible assets		Total
				Development projects	Other intangible assets	
<b>As at January 1, 2010</b>						
Cost	55,250	4,201	-	7,863	500	67,814
Accumulated amortization	(6,227)	(55)	-	-	-	(6,282)
Net carrying amount	49,023	4,146	-	7,863	500	61,532
<b>Year ended December 31, 2010</b>						
Balance – beginning of year	49,023	4,146	-	7,863	500	61,532
Translation adjustment	(4,663)	-	-	(224)	(52)	(4,939)
Additions	7,000	-	-	2,046	13	9,059
Additions via business acquisitions	53,610	110,792	61,221	3,725	2,363	231,711
Disposals	-	-	-	(205)	-	(205)
Amortization	(3,217)	(1,923)	-	-	(295)	(5,435)
Impairment	-	-	(23,158)	-	-	(23,158)
Discontinued operations	(216)	-	-	-	-	(216)
Other changes	2,457	-	-	(771)	469	2,155
Balance – end of year	103,994	113,015	38,063	12,434	2,998	270,504
<b>As at December 31, 2010</b>						
Cost	111,873	114,993	38,063	12,434	3,293	280,656
Accumulated amortization	(7,879)	(1,978)	-	-	(295)	(10,152)
Net carrying amount	103,994	113,015	38,063	12,434	2,998	270,504
<b>Year ended December 31, 2011</b>						
Balance – beginning of year	103,994	113,015	38,063	12,434	2,998	270,504
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	38,063	3,633	1,652	252,897
<b>As at December 31, 2011</b>						
Cost	112,568	116,786	38,063	3,633	3,127	274,177
Accumulated amortization	(14,863)	(4,942)	-	-	(1,475)	(21,280)
Net carrying amount	97,705	111,844	38,063	3,633	1,652	252,897

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	17 years
Water rights	26 years

Water rights of the Buckingham hydroelectric power station, which amount to \$36,332,000 (\$36,332,000 in 2010), are not amortized given their indefinite useful life.

*Development projects* consist primarily of one hydroelectric project and several wind power projects in Québec.

*Other intangible assets* consist mainly of the natural gas supply contract held by the Kingsey Falls power station and CO<sub>2</sub> quotas held by the Blendecques natural gas power station in France.

## Note 9. Energy Sales Contracts, Water Rights, Goodwill and Other Intangible Assets (Cont'd)

For annual impairment testing purposes, goodwill was allocated to hydroelectric power station CGUs.

The goodwill and water rights of the Buckingham power station were tested for impairment on October 31, 2011. These intangible assets are tested for impairment annually. Currently, according to analyses, their carrying amounts are justified by the recoverable amounts determined using cash flow projections and an 8% discount rate.

On November 2, 2010, the Corporation tested goodwill for impairment due to an indication that the recoverable amount will be lower than the carrying amount of goodwill, as discussed in note 5. Subsequent to this test, the Corporation recognized a goodwill impairment charge of \$23,158,000 during 2010.

## Note 10.

### Interest in the Joint Venture

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

	As at December 31, <b>2011</b>	As at December 31, <b>2010</b>	As at January 1, <b>2010</b>
Balance – beginning of year	-	-	-
Capital contribution	6,012	-	-
Cash contribution	52,949	-	-
Share in loss	(205)	-	-
Share in comprehensive loss	(13,461)	-	-
Other	(29)	-	-
Balance – end of year	45,266	-	-

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

	As at December 31, <b>2011</b>	As at December 31, <b>2010</b>	As at January 1, <b>2010</b>
Current assets	8,261	-	-
Non-current assets	71,131	-	-
Total assets	79,392	-	-
Current liabilities	8,973	-	-
Non-current liabilities	25,123	-	-
Total liabilities	34,096	-	-
Net assets	45,296	-	-
Total expenses	(205)	-	-
Total loss for the year	(205)	-	-

### Commitments

	Payments			Total
	Current portion	1 to 5 years	Over 5 years	
Construction contracts	52,800	199,325	-	252,125
Purchasing contract	1,800	200	-	2,000
Maintenance contract	-	8,900	15,500	24,400
Land lease contracts	20	3,140	14,340	17,500
Total	54,620	211,565	29,840	296,025

## Note 10. Interest in the Joint Venture (Cont'd)

### Sales Contracts

In 2008, the Joint Venture entered into power sales contracts with Hydro-Québec for a capacity of 272 MW for the Seigneurie de Beaupré wind farms 2 and 3. These contracts have 20-year terms, which begin when the wind farms are commissioned. 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 will be 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. 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.

### 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 will be made based on 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, reimburse the contractor for any loss of profit on work not carried out. As at December 31, 2011, the Corporation's share in the net commitments of the Joint Venture was \$234,000,000, consisting of €85,000,000 and \$122,000,000.

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 will be made based on percentage-of-completion. As at December 31, 2011, the Corporation's share in the net commitments of the Joint Venture was \$15,000,000. Also, the Joint Venture entered into a contract for the construction of the wind farm project's transformer station. Expenditures will be made using the percentage-of-completion method. As at December 31, 2011, the Corporation's share in the net commitments of the Joint Venture was \$3,000,000.

In December 2011, the Joint Venture entered into an agreement for the construction of the wind farm project's telecommunications network. Expenditures will be made using the percentage-of-completion method. As at December 31, 2011, the Corporation's share in the net commitments of the Joint Venture was \$125,000.

### Purchasing Contract

In November 2011, the Joint Venture entered into a contract to purchase transformers for the construction of the wind farm project's transformer station. As at December 31, 2011, the Corporation's share in the net commitments of the Joint Venture was \$2,000,000.

### 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, 2011, the Corporation's share in the net commitments of the Joint Venture was \$24,400,000 for the next seven years.

### Land Lease Contracts

In June 2011, the Joint Venture entered into a land lease contract maturing in 2033, renewable automatically 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, 2011, the Corporation's share in the net commitments of the Joint Venture was \$17,500,000.

### Letters of Credit

As at December 31, 2011, the Corporation's share of the letters of credit issued by the Joint Venture amounted to \$12,000,000.

## Note 10. Interest in the Joint Venture (Cont'd)

### Financing

On November 8, 2011, the Corporation finalized financing for construction work on the first two wind farms. This work will entail a total investment of over \$750,000,000. 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 \$260,000,000 tranche 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 \$505,256,000 with rates ranging from 3.18% to 3.22%.

## Note 11.

### Other Non-current Assets

	Note	As at December 31, 2011	As at December 31, 2010	As at January 1, 2010
Renewable energy tax credits	(a)	10,947	16,410	19,022
Reserve funds	(b)	3,169	3,146	2,647
Net investments in finance leases	(c)	-	11,854	15,146
Other		120	-	-
		14,236	31,410	36,815

Notes:

- (a) *Renewal energy tax credits* are 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 maturities, that is, from 2025 to 2029. These tax credits are allocated under the U.S. federal tax regime. With respect to Boralex power stations, this program was in force for a five-year period starting January 1, 2005 and ending on December 31, 2009. Tax credits are based on the power stations' actual production. While this credit is non-refundable, it can be carried forward for the next 20 taxation years.
- (b) *Reserve funds* consist primarily of reserves for servicing non-current debt. The reserves guarantee financing arrangements in France, the U.S. and Canada and are sufficient to service the debt for three to nine months, depending on the project. These reserves totalled \$2,626,000 (€1,142,000 or US\$1,100,000). A reserve to finance capital expenditures amounted to \$305,000 (US\$300,000).
- (c) *Net investments in finance leases* were disposed of as part of the sale of the U.S. wood-residue power stations (note 23).

## Note 12.

### Trade and Other Payables

	As at December 31, 2011	As at December 31, 2010	As at January 1, 2010
Trade payables	6,193	28,500	12,830
Due to related parties (note 30)	1,250	793	1,532
Accrued liabilities	11,570	18,094	6,045
Deferred revenues	136	243	126
Other payables	15,060	11,928	11,265
	34,209	59,558	31,798

## Note 13.

### Non-current Debt

	Note	Maturity	Rate <sup>(1)</sup>	As at December 31, 2011	As at December 31, 2010	As at January 1, 2010
Master agreement – wind farms (France)	(a)	2017-2022	5.01	175,075	192,079	140,327
Term loan payable – Nibas wind farm (France)	(b)	2016	5.00	6,350	7,580	9,790
Finance leases (France)	(c)	2012-2015	4.87	4,580	7,079	10,585
Term loan payable – Ocean Falls power station	(d)	2024	6.55	10,722	9,000	14,000
Term loan payable – Thames River wind farms	(e)	2031	7.05	179,628	184,665	47,700
Canadian senior secured notes	(f)	2014	6.63	37,141	38,328	-
U.S. senior secured notes	(f)	2013	6.23	76,597	76,646	-
Term loan payable – solar power station (France)	(g)	2025-2028	3.81	20,065	3,205	-
Term loan payable – Stratton power station	-	-	-	-	-	1,985
Term loan payable – Bel Air wind farm (France)	-	-	-	-	-	8,986
Other debts	-	-	-	4,915	4,068	2,814
				515,073	522,650	236,187
Current portion of debt				(26,659)	(34,033)	(24,273)
Borrowing cost, net of accumulated amortization				(8,889)	(9,071)	(5,798)
				479,525	479,546	206,116

<sup>(1)</sup> 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, 2011, the balance of the Senior Facility stood at \$162,641,000 (€123,278,000) (€133,781,000 as at December 31, 2010 and €87,691,000 as at January 1, 2010), with a Junior Facility balance of \$12,434,000 (€9,425,000) (€10,432,000 as at December 31, 2010 and €5,860,000 as at January 1, 2010). Also as at December 31, 2011, letters of credit amounting to \$13,185,000 (€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 the EURIBOR rate, plus a margin, but the Corporation used interest rate swaps to reduce its exposure to rate fluctuations as discussed below.

Repayments are made semi-annually over a 15-year period for the Senior Facility and a 10-year period for the Junior Facility, as of each project’s commercial commissioning date. Additional financing previously available under these facilities expired on December 31, 2010.

- (b) This loan payable bears interest at a fixed rate of 5.00% and repayments are quarterly. As at December 31, 2011, the balance stood at €4,813,000 (€5,691,000 as at December 31, 2010 and €6,527,000 as at January 1, 2010). All Nibas wind farm assets are pledged as collateral for this loan.
- (c) Finance leases consist of finance leases on assets located in France. The balance outstanding under these leases stood at €3,471,000 as at December 31, 2011 (€5,315,000 as at December 31, 2010 and €7,056,000 as at January 1, 2010). The finance lease obligations bear interest at fixed and variable rates and are repayable on a quarterly basis. The net carrying value of associated capital assets was €9,201,000 (\$12,139,000) as at December 31, 2011 (€10,526,000 as at December 31, 2010 and €11,895,000 as at January 1, 2010).

The scheduled maturities of finance lease obligations are as follows :

	2011	2010
Minimum lease payments		
Current portion	1,775	2,755
1 to 5 years	3,284	5,108
Over 5 years	-	-
Interest included in minimum payments	479	783
Present value of minimum lease payments		
Current portion	1,693	2,627
1 to 5 years	2,893	4,486
Over 5 years	-	-

## Note 13. Non-current Debt (Cont'd)

- (d) On March 31, 2011, the Corporation entered into a credit agreement relating to 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.
- (e) On March 15, 2010, Boralex finalized a new financing arrangement for its Thames River wind farm in Ontario. This private placement totalling \$194,500,000 consists 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. On March 12, 2010, the total amount of the first tranche was paid into an escrow account and the term loan issued in September 2009 was repaid in full using these amounts. Under the credit agreement, the escrowed amounts are released as and when Boralex incurs construction costs. The escrowed amount totalled \$252,000 as at December 31, 2011. 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.
- (f) Canadian and U.S. notes are collateralized by the entirety of the assets of the ten 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. notes, the loan agreement requires the Corporation to maintain two reserve accounts at all times. The first account, amounting to at least US\$300,000 (\$305,000), serves to fund capital expenditures. The second account is a debt servicing reserve that must meet a minimum of three months of interest payment requirements on this debt, which amount to US\$1,100,000 (\$1,119,000). As at December 31, 2011, deposits in trust totalled US\$1,574,000 (\$1,601,000).
- (g) This loan payable, secured by the assets of the solar power station in Europe, consists of €2,609,000 drawn down under a total financing facility of €3,000,000 over 15 years, €10,000,000 over 18 years and €2,600,000 drawn down under a revolving VAT financing facility. The first quarterly repayment falls due on June 30, 2012. The interest rate for the €3,000,000 financing arrangement is variable and based on the EURIBOR rate, plus a margin, but the Corporation used interest rate swaps to reduce its exposure to rate fluctuations as discussed below. The interest rate for the €10,000,000 financing arrangement is fixed at 2.05% over a 10-year period, plus a margin. The rate will then be revised as of the 11<sup>th</sup> year and fixed for the remainder of the loan. The Corporation also used 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 \$2,085,000 for the year ended December 31, 2011 (\$3,848,000 in 2010) 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

On November 1, 2010, Boralex negotiated a new revolving credit facility for an amount of \$40,000,000 with a three-year term. On May 6, 2011, this facility was increased by \$20,000,000 to a total authorized amount of \$60,000,000. However, the total amount of cash advances is limited to \$40,000,000. For drawdowns in US dollars, the interest rate is based on the 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 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, 2011, letters of credit totalling \$6,289,000 had been issued.

## Note 13. Non-current Debt (Cont'd)

### 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 portion ranging from 91% to 100% of the corresponding variable rate debt. These agreements involve the periodic exchange of interest payments without any exchange of the notional amount on which payments are calculated. Under these agreements, the Corporation receives a variable amount based on the EURIBOR rate and pays fixed amounts based on rates ranging from 3.30% to 5.16%.

Since the credit is drawn progressively and the loans are periodically repaid when sites are commissioned, the swaps have been structured to mirror the terms of the underlying credit arrangements and to always cover a significant portion of these arrangements. By using these instruments, Boralex has reduced the portion of its variable rate debt from 36% to 4%.

### Financial Ratios and Guarantees

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

The Senior Facility, Junior Facility, senior secured notes and certain other debts or interest rate swaps include requirements to establish and maintain reserve accounts to cover current debt servicing, equipment maintenance and income taxes at various times over the terms of the agreements. As at December 31, 2011, \$3,169,000 (\$3,146,000 as at December 31, 2010) was kept in reserve fund accounts for this 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 US\$400,000 (\$407,000) each month until such time as this reserve covers a maximum of 12 months of interest payments. If the financial ratios were to subsequently rise above the set threshold for more than two consecutive quarters, Boralex would be able to recover the excess of deposits over the required minimum.

Throughout the 12-month period ended December 31, 2011, Boralex was in compliance with all of its financial ratio requirements.

### Minimum Future Payments

The estimated aggregate scheduled maturities of non-current debt are as follows:

Current portion	26,659
1 to 5 years	211,858
Over 5 years	277,468

## Note 14.

### Convertible Debentures

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

The Company made payments on September 16 and 29, 2010 and November 2, 2010 to take up all outstanding trust units of the Fund (see note 5). These payments were made in part through the issuance of debentures valued at \$135,900,000 under the same terms of the debentures issued on September 15, 2010, with the remaining portion paid in cash. As at December 31, 2010, the total value of issued debentures amounted to \$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:

	As at December 31, 2011	As at December 31, 2010	As at January 1, 2010
Balance – beginning of year	220,824	-	-
Issuance of debentures	-	245,150	-
Conversion of debentures	(258)	(26)	-
Equity component of convertible debentures <sup>(1)</sup>	-	(19,537)	-
Convertible debenture issuance costs	-	(5,305)	-
Amortization of convertible debenture issuance costs	464	131	-
Imputed interest on convertible debentures of 8.50%	2,317	411	-
Balance – end of year	223,347	220,824	-

<sup>(1)</sup> Excluding impact of future income taxes of \$5,158,000 (\$5,049,000 as at December 31, 2010).

As at December 31, 2011, Boralex had 2,448,658 issued and outstanding convertible debentures with a nominal value of \$100 (2,451,244 as at December 31, 2010).

## Note 15.

### Income Taxes

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

	2011	2010
Current taxes	4,774	1,105
Deferred taxes	(7,085)	(39,121)
	(2,311)	(38,016)

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:

	2011	2010
Pre-tax net loss from continuing operations	(5,296)	(14,401)
Combined basic Canadian and provincial income tax rate	28.34%	30.00%
Income tax recovery at the statutory rate	(1,501)	(4,320)
Increase (decrease) in income taxes arising from the following:		
Deferred tax recovery subsequent to changes in the status of the Fund	-	(23,158)
Reversal of deferred taxes related to takeover of the Fund	-	(12,750)
Non-taxable/non-deductible items	(2,318)	(122)
Difference in foreign operations' statutory income tax rates	2,551	421
Difference resulting from the change in income tax rates on specific items	(79)	2,923
Change in valuation allowance	(452)	(915)
Remeasurement of current and deferred tax assets and liabilities	(553)	-
Other	41	(95)
Effective income tax recovery	(2,311)	(38,016)

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 1, 2011	Recorded in comprehensive income	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)
Foreign exchange differences	-	(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)

Note 15. Income Taxes (Cont'd)

	As at January 1, <b>2010</b>	Purchase price allocation	Equity component of convertible debentures	Recorded in comprehensive income	Recorded in net earnings	Recorded in earnings from discontinued operations	As at December 31, <b>2010</b>
Deferred income tax asset related to loss carryforwards	50,154	-	-	-	3,668	-	53,822
Financial instruments	(2,465)	(129)	-	(2,756)	3,671	-	(1,679)
Provisions	620	1,349	-	-	160	-	2,129
Temporary differences between accounting and tax amortization	(63,663)	(72,055)	-	-	13,992	1,452	(120,274)
Investments in the Fund	(17,832)	(5,304)	5,049	-	17,634	-	(453)
Other	5	-	-	-	(5)	-	-
<b>Total deferred income tax liability</b>	<b>(33,181)</b>	<b>(76,139)</b>	<b>5,049</b>	<b>(2,756)</b>	<b>39,120</b>	<b>1,452</b>	<b>(66,455)</b>

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, particularly those in France, have accumulated losses for income tax purposes amounting to approximately \$196,716,000, which may be carried forward to reduce taxable income in future years. These loss carryforwards have been realized 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:

<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>2031</b>	<b>Unlimited</b>	<b>Total</b>
107	3,225	8,267	12,425	172,692	196,716

## 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, 2011. 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 following changes occurred in the Corporation's capital stock and contributed surplus from January 1, 2010 to December 31, 2011:

	Note	Capital stock		Contributed surplus
		Number of shares	Amount	Amount
Balance as at January 1, 2010		37,740,921	222,694	4,290
Issuance of shares on debenture conversions	(a)	2,048	26	-
Stock options exercised	(c)	22,170	133	-
Fair value of options recorded during the year		-	-	738
Balance as at December 31, 2010		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

- (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 2,586 debentures with a value of \$258,000 into 20,688 shares (256 debentures with a value of \$26,000 into 2,048 shares in 2010).
- (b) On November 4, 2011, Boralex announced its intention to carry out a normal course issuer bid (the "Bid"). Under this Bid, open for a twelve-month period from November 8, 2011 to November 7, 2012, Boralex may buy back up to 250,000 Class A shares, or approximately 0.66% of the 37,725,787 Boralex Class A shares issued and outstanding as at October 31, 2011. All buybacks will be carried out via the Toronto Stock Exchange, and the repurchased shares will be cancelled. As at March 9, 2012, Boralex had not repurchased any Class A shares under the Bid.

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

We recall that in 2010, Boralex announced plans to proceed with a normal course issuer bid. Under this 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. Boralex did not repurchase any Class A shares under the Bid. As at December 31, 2011, 59,400 shares had been repurchased by the Corporation under the 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, these options cannot be exercised unless the market value of the stock is higher than the book value on the option grant date. All the options have a ten-year term. This plan has been determined to be equity settled.

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

	2011		2010	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding – beginning of year	1,547,696	9.17	1,337,610	9.11
Granted	257,149	8.50	232,256	9.20
Exercised	-	-	(22,170)	6.00
Outstanding – end of year	1,804,845	9.07	1,547,696	9.17
Options exercisable – end of year	850,380	8.68	879,077	9.13

The following options were outstanding as at December 31, 2011:

	Options outstanding		Options exercisable		Year of expiry
	Number of options	Exercise price	Number of options	Exercise price	
Granted in					
2002	18,021	8.63	18,021	8.63	2012
2004	48,042	4.35	48,042	4.35	2014
2005	336,138	6.41	336,138	6.41	2015
2006	296,434	9.60	296,434	9.60	2016
2007	151,745	13.30	151,745	13.30	2017
2008	133,266	17.29	-	-	2018
2009	331,794	7.14	-	-	2019
2010	232,256	9.20	-	-	2020
2011	257,149	8.50	-	-	2021
	1,804,845	9.07	850,380	8.68	

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:

	2011	2010
Price of shares on grant date	8.58	9.84
Exercise price	8.50	9.20
Expected annual dividend	0.00%	0.00%
Expected useful life	7 years	7 years
Expected volatility	42.93%	38.37%
Risk-free interest rate	3.64%	3.83%
Weighted average fair value per option	4.33	4.12

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*. A \$1,078,000 compensation expense in respect of the stock option plans was recognized for fiscal 2011 (\$738,000 in 2010).

## Note 18.

### Other Comprehensive Loss

								As at December 31, <b>2011</b>
	Cash flow hedges							
	Translation adjustments	Hedge Interest rate	Hedge Commodities	Hedge Foreign currency	Cash flow hedges - Joint Venture	Available-for- sale financial asset	Discontinued operations	<b>Total</b>
Balance – beginning of period	(14,533)	(9,853)	(828)	(785)	-	(727)	2,021	(24,705)
Change in fair value	5,835	(47,524)	(6,763)	339	(13,461)	(278)	(1,883)	(63,735)
Reclassification to net earnings	-	3,718	2,427	(105)	-	(624)	(1,170)	4,246
Reclassification to statement of financial position	-	-	-	198	-	-	-	198
Taxes	-	12,220	1,132	53	3,579	-	1,032	18,016
Balance – end of period	(8,698)	(41,439)	(4,032)	(300)	(9,882)	(1,629)	-	(65,980)

								As at December 31, <b>2010</b>
	Cash flow hedges							
	Translation adjustments	Hedge Interest rate	Hedge Commodities	Hedge Foreign currency	Available-for- sale financial asset	Discontinued operations	<b>Total</b>	
Balance – beginning of period	-	(6,720)	-	(643)	-	5,019	(2,344)	
Change in fair value	(14,354)	(7,919)	(1,133)	(5,418)	(727)	3,442	(26,109)	
Reclassification to net earnings	-	3,415	(22)	(509)	-	(8,438)	(5,554)	
Reclassification to statement of financial position	-	-	-	5,652	-	-	5,652	
Taxes	(179)	1,371	327	133	-	1,998	3,650	
Balance – end of period	(14,533)	(9,853)	(828)	(785)	(727)	2,021	(24,705)	

## Note 19.

### Changes in Non-controlling Interests

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

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

## Note 20.

### Expenses by Nature

#### Operating Expenses

	2011	2010
Raw material and consumables	32,800	17,595
Maintenance and repairs	11,734	7,617
Salaries (a)	9,800	5,042
Property and school taxes	3,121	2,005
Leases and permits	6,191	3,402
Insurance	1,779	1,178
Other expenses	7,613	5,332
	73,038	42,171

#### (a) Salaries – Operations

	2011	2010
Wages and salaries	9,009	4,453
Employer social security costs	147	74
Other employee benefit costs	644	515
	9,800	5,042

#### Administrative

	2011	2010
Salaries (b)	7,063	5,954
Professional fees	4,708	5,101
Tax on capital and business taxes	2,444	1,451
Office expenses	1,536	1,200
Telecommunications and information technology	761	607
Advertising and donations	433	386
Other expenses	293	327
	17,238	15,026

#### (b) Salaries – Administration

	2011	2010
Wages and salaries	5,001	4,594
Employer social security costs	28	57
Other employee benefit costs	956	564
Share options granted to directors and employees	1,078	739
	7,063	5,954

## Note 21.

### Other Gains

	Note	2011	2010
Gain on sale of shares	(a)	(585)	-
Gain on sale of Merlin-Buxton wind power project	(b)	(1,792)	-
Gain on sale of assets to the Joint Venture	(c)	(582)	-
Gain on sale of a subsidiary	(d)	-	(774)
		(2,959)	(774)

#### Notes:

- (a) On February 1, 2011, Boralex sold, at a share price of \$26.50, the 784,796 common shares of Resolute Forest Products ("Resolute"), formerly AbitibiBowater, given to the Corporation by ABI at the end of 2010 as compensation related to the partial settlement of a claim for approximately \$83,000,000 payable by ABI to Boralex, as negotiated in connection with ABI's C-36 filing. The sale of these shares in the market generated net proceeds of \$20,758,000 and a gain on disposal of \$585,000. As at December 31, 2011, Boralex held 148,780 shares valued at \$14.84.
- (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 has been 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, that is, Boralex's portion, was recognized as a reduction of the investment and the other portion of \$582,000 was recorded as a gain through earnings.
- (d) On March 31, 2010, the Corporation sold a subsidiary that held the Bel Air wind farm in France for net proceeds of \$878,000 (€639,000). This transaction resulted in the recognition of a \$774,000 gain, calculated as the difference between the disposed subsidiary's net value of \$104,000 and the \$878,000 in net consideration received.

## Note 22.

### Financing Costs

	Note	2011	2010
Interest on non-current debt, net of the impact of interest rate swaps	(a)	31,649	23,902
Interest on convertible debentures		18,853	4,938
Interest and other interest income		(3,060)	(1,368)
Amortization of borrowing costs		2,085	3,848
Other interest and banking fees		996	862
		50,523	32,182
Interest capitalized to qualifying assets	(b)	(859)	(8,332)
		49,664	23,850

#### Note:

- (a) Interest expense on finance leases was \$309,000 for fiscal 2011 (\$453,000 in 2010).
- (b) The weighted average rate for the capitalization of borrowing costs to qualifying assets was 3.62% per annum (6.22% per annum in 2010).

## Note 23.

### 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 sale proceeds of RECs realized by these power stations during fiscal 2011, valued at about \$5,085,000 (US\$5,000,000). In addition, under the terms of the transaction, Boralex will collect 50% of the REC sales proceeds in excess of the defined price thresholds for 2012, 2013 and 2014, inclusively.

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:

	2011	2010
Revenues from energy sales	61,526	100,052
Expenses	59,327	83,588
Pre-tax operating income from discontinued operations	2,199	16,464
Income tax expense	54	4,806
Net operating income	2,145	11,658
Loss on sale of assets	(251)	-
Income tax recovery attributable to sale of assets	(3,595)	-
Net gain on sale of assets	3,344	-
Net earnings from discontinued operations	5,489	11,658

Cash flows related to discontinued operations are detailed as follows:

	2011	2010
Net cash flows related to operating activities	8,251	31,822
Net cash flows related to investing activities	(545)	(344)
Net cash flows related to financing activities	-	(799)
Consideration received on sale, net of transaction costs	87,064	-
Cash from discontinued operations, including proceeds on disposal	94,770	30,679

\* Unaudited

## Note 24.

### Net Earnings (Loss) per Share

#### (a) Net Earnings per Share–Basic

<i>(in thousands of Canadian dollars, except per share amounts and number of shares)</i>	2011	2010
Net earnings attributable to shareholders of Boralex – basic	2,883	35,072
Less:		
Net earnings from discontinued operations – basic	5,489	11,658
Net earnings (loss) from continuing operations attributable to shareholders of Boralex – basic	(2,606)	23,414
Weighted average number of shares	37,752,670	37,741,916
Net earnings (loss) per share from continuing operations attributable to shareholders of Boralex – basic	\$(0.07)	\$0.62
Net earnings per share from discontinued operations – basic	\$0.15	\$0.31
Net earnings per share attributable to shareholders of Boralex – basic	\$0.08	\$0.93

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

<i>(in thousands of Canadian dollars, except per share amounts and number of shares)</i>	2011	2010
Net earnings attributable to shareholders of Boralex – diluted	2,883	35,072
Less:		
Net earnings from discontinued operations – diluted	5,489	11,658
Net earnings (loss) from continuing operations attributable to shareholders of Boralex – diluted	(2,606)	23,414
Weighted average number of shares	37,752,670	37,741,916
Dilutive effect of stock options	68,018	118,176
Weighted average number of shares – diluted	37,820,688	37,860,092
Net earnings (loss) per share from continuing operations attributable to shareholders of Boralex – diluted	\$(0.07)	\$0.62
Net earnings per share from discontinued operations – diluted	\$0.15	\$0.31
Net earnings per share attributable to shareholders of Boralex – diluted	\$0.08	\$0.93

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

	2011	2010
Convertible debentures excluded due to their anti-dilutive effect	19,589,264	5,181,823
Stock options excluded due to their anti-dilutive effect	1,088,871	813,701

## Note 25.

### Change in Non-cash Items Related to Operating Activities

	2011	2010
Decrease (increase) in:		
Trade and other receivables	31,626	(23,560)
Inventories	853	(828)
Prepaid expenses	(241)	258
Increase (decrease) in:		
Trade and other payables	(20,347)	23,517
	11,891	(613)

## Note 26.

### Financial Instruments

The classification of financial instruments as at December 31, 2011 and 2010 and January 1, 2010, complete with the respective carrying amounts and fair values, is as follows:

	As at December 31, 2011		As at December 31, 2010		As at January 1, 2010	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
<b>OTHER FINANCIAL LIABILITIES</b>						
Non-current debt	515,073	538,834	522,650	535,890	236,187	236,247
Convertible debentures	244,865	253,435	245,124	251,752	-	-

The fair value of the derivative financial instruments designated as cash flow hedges as at December 31, 2011 and 2010 and January 1, 2010 are detailed as follows:

	As at December 31, 2011	As at December 31, 2010	As at January 1, 2010
	<b>OTHER CURRENT FINANCIAL ASSETS</b>		
Foreign exchange forward contracts	-	104	-
Electricity price financial swaps	-	665	-
	-	769	-
<b>OTHER NON-CURRENT FINANCIAL ASSETS</b>			
Foreign exchange forward contracts	-	-	422
Interest rate forward contracts	-	-	1,092
Electricity price financial swaps	-	-	5,783
	-	-	7,297
<b>OTHER CURRENT FINANCIAL LIABILITIES</b>			
Foreign exchange forward contracts	-	183	-
Financial swaps – commodities	6,780	-	-
Financial swaps – interest rates	22,977	-	-
	29,757	183	-
<b>OTHER NON-CURRENT FINANCIAL LIABILITIES</b>			
Foreign exchange forward contracts	-	-	896
Financial swaps – commodities	-	2,632	-
Financial swaps – interest rates	14,273	8,202	6,749
	14,273	10,834	7,645

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, bank loans and overdraft 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 are traded on the stock exchange and their fair market value is based on their price as at December 31, 2011.

## Note 26. Financial Instruments (Cont'd)

As at December 31, 2011	Maturity	Rate <sup>(1)</sup>	Discount rate	Fair value
Master agreement – wind farms (France)	2017-2022	5.01	5.01	175,075
Term loan payable – Nibas wind farm (France)	2016	5.00	3.99	6,175
Finance leases (France)	2012-2015	4.87	3.90	4,426
Term loan payable – Ocean Falls power station	2024	6.55	4.79	11,916
Term loan payable – Thames River wind farms	2031	7.05	5.77	201,527
Canadian senior secured notes	2014	6.63	3.55	38,717
U.S. senior secured notes	2013	6.23	3.39	75,534
Term loan payable – solar power station (France)	2025-2078	3.81	3.03	20,638
Other debts	-	-	-	4,826
Convertible debentures	2017	6.75	-	253,435

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

### Financial Swaps–Commodities

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

The following table summarizes the Corporation's commitments under commodity financial swaps as at December 31, 2011:

	Maturity	Current notional	Fixed price	Fair value
Commodity financial swaps – natural gas	November 30, 2012	2,345,000 gigajoules	5.165	(5,629)
Commodity financial swaps – fuel oil	November 30, 2012	77,000 barrels	79.50	(1,151)

### Financial Swaps–Interest Rates

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

The following table summarizes the Corporation's commitments under interest rate swaps as at December 31, 2011:

	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	127,865	(14,273)
Financial swaps – interest rates	CAD	4.59% – 4.64%	3-month CDOR	2031	125,000	(22,977)

### 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.

For interest rate and commodity financial swaps, the Corporation classified the fair value measurements as Level 2 since they are based mainly on observable market data, namely interest rates.

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

Note 26. Financial Instruments (Cont'd)

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

	Fair value hierarchy levels:			
	As at December 31, <b>2011</b>	Level 1	Level 2	Level 3
<b>FINANCIAL ASSETS</b>				
Available-for-sale financial asset	2,208	2,208	-	-
	2,208	2,208	-	-
<b>FINANCIAL LIABILITIES</b>				
Financial swaps – commodities	6,780	-	6,780	-
Financial swaps – interest rates	37,250	-	37,250	-
	44,030	-	44,030	-

	Fair value hierarchy levels:			
	As at December 31, <b>2010</b>	Level 1	Level 2	Level 3
<b>FINANCIAL ASSETS</b>				
Available-for-sale financial asset	23,251	23,251	-	-
Foreign exchange forward contracts	104	-	104	-
Electricity price financial swaps	665	-	-	665
	24,020	23,251	104	665
<b>FINANCIAL LIABILITIES</b>				
Foreign exchange forward contracts	183	-	183	-
Financial swaps – commodities	2,632	-	2,632	-
Financial swaps – interest rates	8,202	-	8,202	-
	11,017	-	11,017	-

	Fair value hierarchy levels:			
	As at January 1, <b>2010</b>	Level 1	Level 2	Level 3
<b>FINANCIAL ASSETS</b>				
Foreign exchange forward contracts	422	-	422	-
Interest rate forward contracts	1,092	-	1,092	-
Electricity price financial swaps	5,783	-	-	5,783
	7,297	-	1,514	5,783
<b>FINANCIAL LIABILITIES</b>				
Foreign exchange forward contracts	896	-	896	-
Financial swaps – interest rates	6,749	-	6,749	-
	7,645	-	7,645	-

## Note 27.

### 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

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

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

On December 31, 2011, an additional \$0.05 rise or fall in the Canadian dollar against the other currencies, assuming that all other variables had remained the same, would have resulted in a \$755,000 (\$537,000 in 2010) increase or decrease, respectively, in the Corporation's net earnings for the year ended December 31, 2011, whereas *Other comprehensive loss* would have increased or decreased by \$4,373,000 (\$7,009,000 in 2010), respectively, net of taxes.

#### Price Risk

In the Northeastern United States, a portion of the Corporation's power production is sold on the spot market or under short-term contracts and is accordingly subject to fluctuations in electricity prices. Electricity prices vary 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, 2011, our power stations in France and Canada, as well as those in Middle Falls, Hudson Falls and South Glens Falls have long-term power sales contracts immune to fluctuations in electricity prices. Accordingly, only 4% of Boralex's installed capacity is exposed to this risk.

The Kingsey Falls cogeneration power station in Québec buys and consumes natural gas the price of which can fluctuate significantly. In addition, the selling price of steam produced by this power station is indexed to the price of oil, which is also subject to fluctuations. To minimize price risk, the Corporation entered into two commodity swap contracts. The first contract effective from November 1, 2011 to November 30, 2012 covers approximately 90% of the power station's natural gas purchases during this period amounting to 2,345,000 gigajoules at a price of \$5.165. As at December 31, 2011, the unfavourable fair value of this commodity swap amounted to \$5,629,000, and it was designated as a variable cash flow hedge associated with future natural gas purchases.

The Corporation also entered into a financial swap for the sale of fuel oil No. 6 effective from December 1, 2010 to November 30, 2012. This instrument is used to offset fluctuations in the index included in the steam selling price formula. Under this contract, Boralex receives a fixed price of C\$79.50 per barrel while paying the variable market price over this period for 77,000 barrels. The contract covers approximately 50% of the total steam selling price. As at December 31, 2011, this commodity swap had an unfavourable fair value of \$1,151,000 and was designated as a variable cash flow hedge associated with future steam deliveries.

On December 31, 2011, an additional 5 % rise or fall in electricity prices, assuming that all other variables had remained the same, would have resulted in an \$603,000 (\$853,000 in 2010) increase or decrease, respectively, in the Corporation's net earnings for the twelve-month period ended December 31, 2011, whereas *Other comprehensive loss* would have decreased or increased by \$131,000 (\$124,000 in 2010), respectively, net of taxes.

### Interest Rate Risk

The revolving credit facility, master agreement, term loan for the solar power station in France, together with a portion of certain leases, bear interest at a variable rate. To mitigate interest rate risk, the Corporation has entered into interest rate swaps to obtain a fixed interest expense on portions ranging from 89% to 100% of the corresponding variable rate debt. These agreements involve the periodic exchange of interest payments without any exchange of the notional amount on which payments are calculated. Under these agreements, the Corporation receives a variable amount based on the EURIBOR rate and pays fixed amounts based on rates ranging from 3.29% to 5.16%. Since the credit is drawn progressively and the loans are periodically repaid when sites are commissioned, the swaps have been structured to mirror the terms of the underlying credit arrangements and to always cover a significant portion of these arrangements. By using these instruments, the Corporation has reduced the proportion of its variable rate debt from 36% to 4%.

As at December 31, 2011, the nominal balance of these swaps stood at \$168,692,000 (€127,865,000) (\$181,570,000 in 2010 (€136,324,000)) while their unfavourable fair value was \$14,273,000 (€10,819,000) (\$8,202,000 in 2010 (€6,158,000)). These swaps mature between 2015 and 2028 and are all subject to cash flow hedge accounting. Accordingly, unrealized gains and losses resulting from changes in fair value of the effective portion of these contracts are included in *Other comprehensive loss* until the corresponding hedged item affects earnings. The contracts are then recognized in earnings as an adjustment to *Financing costs*. The Corporation expects that, over the coming 12 months, a pre-tax expense totalling approximately \$1,296,000 (\$4,734,000 in 2010) will be reclassified from *Other comprehensive loss* to earnings.

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. To mitigate the effects of changes in future rates, the Corporation held two interest rate financial swaps as at December 31, 2011 that were designated as hedges of the 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 the financing was closed in November 2011, this hedge relationship was terminated, and the financial swaps were redesignated. The unrealised loss of \$34,199,000 that was then recognised under *Other Comprehensive Loss* will be deferred and recognised in net earnings over the life of the financing of the wind projects of the Joint Venture. Future changes in the fair value of the instruments will be recognised under *Other comprehensive loss*, until the closing dates of the Corporation's financing agreements for the above-mentioned projects. As of said closing dates, the portion of the fair value of the derivatives attributable to each of the hedge relationships put in place will be reflected through the statement of earnings over the life of the financing to be arranged. As at December 31, 2011, the swaps had a notional amount of \$125,000,000 and an unfavourable fair value of \$22,977,000.

On December 31, 2011, a 5% rise or fall in interest rates, assuming that all other variables had remained the same, would have resulted in a \$50,000 (\$31,000 in 2010) decrease or increase, respectively, in the Corporation's net earnings for the 12-month period ended December 31, 2011, whereas *Other comprehensive loss* would have increased or decreased by \$1,707,000 (\$1,458,000 in 2010), net of taxes.

### Credit Risk

Credit risk stems primarily from the potential inability of clients to meet their obligations. Given the nature of the Corporation's business, its clients are few in number and their credit ratings are generally high. The electricity markets 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.

Note 27. Financial Risks (Cont'd)

## 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, 2011, the Corporation also had a revolving credit facility with an authorized amount of \$60,000,000 and letters of credit totalling \$6,289,000 had been issued against this operating credit facility.

The contractual maturities of the Corporation's financial liabilities and derivative financial instruments as at December 31, 2011 and 2010 and January 1, 2010 are summarized in the following tables:

As at December 31, 2011	Carrying amount	Undiscounted cash flows (principal and interest)				Total
		Under 1 year	From 1 to 2 years	From 2 to 5 years	Over 5 years	
<b>Non-derivative financial liabilities:</b>						
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
<b>Derivative financial instruments:</b>						
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

As at December 31, 2010	Carrying amount	Undiscounted cash flows (principal and interest)				Total
		Under 1 year	From 1 to 2 years	From 2 to 5 years	Over 5 years	
<b>Non-derivative financial liabilities:</b>						
Bank loans and overdraft	195	195	-	-	-	195
Trade and other payables	59,558	59,558	-	-	-	59,558
Non-current debt	522,650	60,203	51,107	241,132	402,547	754,989
Convertible debentures	245,124	16,546	16,546	49,638	24,818	107,548
<b>Derivative financial instruments:</b>						
Foreign exchange forward contracts	183	86	-	-	-	86
Financial swaps – commodities	2,632	196	2,630	-	-	2,826
Financial swaps – interest rates	8,202	4,734	3,432	3,703	(1,266)	10,603
	838,544	141,518	73,715	294,473	426,099	935,805

As at January 1, 2010	Carrying amount	Undiscounted cash flows (principal and interest)				Total
		Under 1 year	From 1 to 2 years	From 2 to 5 years	Over 5 years	
<b>Non-derivative financial liabilities:</b>						
Bank loans and overdraft	12,291	12,291	-	-	-	12,291
Trade and other payables	31,798	31,798	-	-	-	31,798
Non-current debt	236,187	34,090	45,147	146,461	206,772	432,470
<b>Derivative financial instruments:</b>						
Foreign exchange forward contracts	896	898	-	-	-	898
Financial swaps – interest rates	6,749	5,045	3,686	2,106	(3,744)	7,093
	287,921	84,122	48,833	148,567	203,028	484,550

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 28.

### 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 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, 2011 and 2010 and January 1, 2010, the Corporation was in compliance with its commitments with respect to the minimum ratios. The Corporation is not subject to any regulatory capital requirements.

The Corporation's capital management objectives have remained unchanged from the previous year. The Corporation relies mainly on the 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, <b>2011</b>	As at December 31, <b>2010</b>	As at January 1, <b>2010</b>
Non-current debt	479,525	479,546	206,116
Current portion of debt	26,659	34,033	24,273
Bank loans and overdraft	-	195	12,291
Borrowing costs, net of accumulated amortization	8,889	9,071	5,798
Less:			
Cash and cash equivalents	(144,703)	(92,650)	(37,821)
Restricted cash	(552)	(15,924)	-
Net debt	369,818	414,271	210,657

## Note 28. Capital Management (Cont'd)

The Corporation defines total book capitalization as follows:

	As at December 31, <b>2011</b>	As at December 31, <b>2010</b>	As at January 1, <b>2010</b>
Total equity	328,878	367,689	337,209
Net debt	369,818	414,271	210,657
Convertible debentures	223,347	220,824	-
Convertible debenture issuance costs, net of accumulated amortization	4,710	5,174	-
Deferred taxes on convertible debentures	5,158	5,049	-
Imputed interest calculated on convertible debentures	(2,728)	(411)	-
<b>Total book capitalization</b>	<b>929,183</b>	<b>1,012,596</b>	<b>547,866</b>

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

	As at December 31, <b>2011</b>	As at December 31, <b>2010</b>	As at January 1, <b>2010</b>
Net debt	369,818	414,271	210,657
Total book capitalization	929,183	1,012,596	547,866
<b>Net debt ratio</b>	<b>39.8%</b>	<b>40.9%</b>	<b>38.5%</b>
Cash and cash equivalents	144,703	92,650	37,821
Restricted cash	552	15,924	-
<b>Cash and cash equivalents available</b>	<b>145,255</b>	<b>108,574</b>	<b>37,821</b>

At present, the Corporation has a net debt ratio of 39.8% 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 29.

### 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.

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
2012-2017	85.45 – 80.58	87.04 – 86.65
2018-2024	48.27	86.65
2025	48.27	121.79 or market <sup>(1)</sup>
2026 and thereafter	56.28 or market <sup>(1)</sup>	121.79 or market <sup>(1)</sup>

(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, the indexation rate should not be lower than 3% or higher than 6%.

## Note 29. Commitments and Contingencies(Cont'd)

- (c) For the wind power stations and the solar power facility in France, the Corporation is committed to selling 100% of its power output (subject to certain minimum criteria) under long-term contracts maturing between 2017 and 2031. The contracts provide for annual indexation to indices relating to hourly wage costs and industry activity levels.
- (d) The steam production from the Kingsey Falls power station (Québec) is sold to Cascades under a contract expiring in 2012. 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 69 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.
- (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 the Québec RCMs of Témiscouata and La Côte-de-Beaupré. These power sales contracts have 20-year terms, which will begin when the wind farms are commissioned.

## Purchase, Supply and Maintenance Contracts

	Payments			Total
	Current portion	1 to 5 years	Over 5 years	
Purchase, supply and maintenance contracts	20,191	16,335	22,048	58,574

- (g) With respect to the wind power projects in France and in Canada, the Corporation signed maintenance contracts, including several turnkey agreements with suppliers such as Enercon, GE and Qcells. The initial contract period is five to 15 years, with expenditures totalling \$41,927,000, of which approximately \$3,745,000 is payable in 2012.
- (h) The Corporation has signed new equipment purchase agreements with respect to the wind power projects in Québec, Ontario and France. The total cost of the net commitments is \$2,007,000 (€392,000, US\$470,000 and \$1,003,000). Expenditures will largely be made during fiscal 2012.
- (i) The Corporation is committed to buy approximately 90% of the natural gas needs of its Kingsey Falls power station under a supply agreement signed in 1995 and expiring in 2012. Under the supply agreement, the price of the natural gas delivered in 2012 will equal market price, plus a 3% premium. In July 2010, the Corporation entered into a commodity swap contract to cover 90% of the Kingsey Falls power station's natural gas needs from November 1, 2011 through November 30, 2012. This agreement covers the commodity price of natural gas molecule for 13 months and its delivery for 12 months. Total disbursements under this agreement amount to approximately \$14,650,000, including the gas and its delivery to Kingsey Falls.

## Operating Leases on Property

	Payments			Total
	Current portion	1 to 5 years	Over 5 years	
Land lease contracts	1,835	7,885	25,906	35,626

- (j) 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 2011, the rent amounted to \$365,000 (US\$369,000) (\$369,000 and US\$358,000 in 2010) and will be indexed at 3% per year until 2013. From 2014 onwards, the rent will vary at the rate of 30% of the power station's gross revenue.
- (k) For the Thames River Project, the Corporation leases land on which wind generators 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 \$600,000.
- (l) The land on which the wind power stations and the solar power facility are located in France is leased under emphyteutic leases with lease terms ranging from 30 to 99 years. Payments under these leases are due annually and are indexed each year, based on the Consumption Price Index and the Construction Cost Index published by the National Institute of Statistics and Economic Studies (INSEE) and represent an annual commitment of \$530,000 (€400,000).

## Note 29. Commitments and Contingencies (Cont'd)

- (m) With respect to some of its hydroelectric power stations in Canada, the Corporation is party to various lease agreements for the sites of the facilities and the hydroelectric power rights necessary for the operation of the facilities. Under the terms of these agreements, expiring from 2015 to 2020, the Corporation pays rent based on the level of power generation.

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

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

Total minimum future payments under these leases, excluding contingent rent for South Glens Falls, as of December 31, 2011 are as follows:

Current portion	295
1 to 5 years	1,350
Over 5 years	9,695
Total	11,340

## Other

- (n) On August 25, 2011, Boralex obtained two amended building permits for the expansion of the Avignonet-Lauragais site comprising two turbines. These permits have been on appeal since October 12, 2011. This decision does not jeopardize the power sales contract with EDF nor operation of the expansion. Furthermore, this situation does not place Boralex in default under any credit agreement.
- (o) Hydroelectric power stations in Québec are subject to the *Dam Safety Act* and its regulation, which will gradually affect some of the Corporation's hydroelectric facilities. Depending on the region where the power stations are located, dams will have to comply with some criteria defined in this Act. Application of the Act should be phased in. Once the Corporation's recommendations are accepted by the *Ministère du Développement durable, de l'Environnement et des Parcs*, an action plan will be prepared reflecting the relative urgency of the work required. The St-Lambert power station is in compliance with the Act as at December 31, 2011 but is not affected as it is located on the St. Lawrence Seaway, which is not subject to this legislation.
- During fiscal 2012, Boralex will commence work on its power station in Buckingham (Québec) to ensure it complies with the Act. The studies carried out by management have led to the conclusion that the work, initially estimated at \$14,000,000 is now estimated at \$12,000,000. Furthermore, management is continuing to assess various scenarios to optimize this investment by also undertaking an expansion of up to 10 MW of the power station's installed capacity. The Corporation expects that investments totalling \$950,000 will be required for the facilities at other power stations to comply with the Act.
- (p) 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 business combination between Boralex and the Fund that took place on November 1, 2010 and, consequently, claims damages and interest amounting to almost \$14,000,000. The Corporation considers that this procedure has no basis in fact or in law and will defend itself vigorously. Therefore, the Corporation has not recorded any provision in respect of this litigation. Moreover, the Corporation filed its defence on September 12, 2011, including a counterclaim of nearly \$1,000,000.

## Note 30.

### Related Party Transactions

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

Details of related party transactions are as follows:

	2011	2010
<b>REVENUES</b>		
Revenues from Energy Sales		
Cascades Inc. – Company having significant influence on the Corporation	20,333	14,435
Management revenues from the Fund		
Boralex Power Income Fund	-	4,437
Other income		
Fiducie RSP Hydro – Entity controlled by a director and officer of the Corporation	604	496
<b>COSTS AND OTHER EXPENSES</b>		
Operating expenses		
Cascades Inc. – Company having significant influence on the Corporation	645	1,745
Salaries recharged to the Joint Venture	787	-
Management and operation of the Fund		
Boralex Power Income Fund	-	3,995
Financing costs		
Fiducie RSP Hydro – Entity controlled by a director and officer of the Corporation	(36)	(29)

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, 2011	As at December 31, 2010	As at January 1, 2010
<b>RELATED PARTY RECEIVABLES</b>			
Cascades Inc. – Company having significant influence on the Corporation	4,598	3,381	232
Boralex Power Income Fund	-	-	1,714
Fiducie RSP Hydro – Entity controlled by a director and officer of the Corporation	943	569	549
Joint Venture	272	-	-
	5,813	3,950	2,495
<b>RELATED PARTY PAYABLES</b>			
Cascades Inc. – Company having significant influence on the Corporation	1,250	793	1,532
	1,250	793	1,532

Related party receivables and payables are due between 30 and 45 days following the sale or purchase. Receivables are unsecured and non-interest bearing. No provision has been recognized for impairment of receivables.

### Executive Compensation

Compensation allocated to senior executives, the directors (officers and non-officers), members of the Board of Directors and the Chairman of the Audit Committee, is detailed in the following table:

	2011	2010
Current salaries and benefits	1,754	1,613
Other long-term benefits	1,408	1,675
Stock-based compensation	797	683
	3,959	3,971

## Note 31.

### Seasonal and Other Cyclical Factors

Operations and results of the Corporation's 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 volume of power generated. 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 251 MW\* of Boralex 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 the Boralex hydroelectric facilities, 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 certain hydroelectric power stations whose water flow is regulated upstream, most of Boralex's hydroelectric facilities do not have reservoirs that would permit water flow regulation during the year.

#### Thermal

Boralex owns and operates three thermal power stations for an aggregate 80 MW\* of installed capacity. One of them, located in Senneterre, Québec is fuelled by wood-residue and is covered by a Hydro-Québec power sales contract with a remaining term of 11 years. An agreement was recently entered into between Hydro-Québec and Boralex under which the Senneterre power station will produce power six months per year during 2012 and 2013 between December and March and in July and August, which are the periods of peak demand. The terms of the agreement are such that the power station's results should not be affected.

Boralex also operates two natural gas power stations, one in Kingsey Falls, Québec and the other in Blendecques, France. These power stations benefit from power sales contracts, and in addition, steam production is quite stable from quarter to quarter, as it is driven by client demand, which is relatively predictable and steady. Moreover, the Kingsey Falls power station in Québec entered into two advantageous hedging contracts in 2010 for a two-year period to index its steam selling price and fix its natural gas purchase price. The French natural gas cogeneration power station's long-term power sales contract with EDF contains a clause that caps electricity prices from April to October. When the cost of natural gas is high, the profit margin for this period is not sufficient to offset the ceiling on electricity prices. The cogeneration equipment may therefore be shut down, in which case the Corporation supplies its steam client from an auxiliary boiler. Accordingly, since 2005, the power station has operated its cogeneration equipment during the five months from November to March.

#### Solar

The Corporation's only solar power station (5 MW\*) currently in operation is located in the south of 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 and 35% in the first and fourth quarters.

In short, although seasonal and other cyclical factors have a certain impact on Boralex's performance, this is mitigated by the fact that, following the main events in recent years, specifically, the significant expansion of the wind power segment, the acquisition of the Fund and the sale of wood-residue U.S. power stations, nearly all of the Corporation's revenues are now generated by facilities with fixed-price and indexed sales contracts. The Corporation also benefits from solid diversification of its power generation sources and its geographic positioning.

\* Unaudited

## Note 32.

### Segmented Information

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

Following the sale of its five U.S. wood-residue thermal power stations, the Corporation redefined its operating segments. Previously, operations were grouped into five distinct segments. Wood-residue thermal power stations and natural gas thermal power stations have been combined in a single segment called *Thermal Power Stations*. The comparative data have been adjusted to reflect this change. In addition, the data related to discontinued operations have been excluded as they are reported on a separate line in the Consolidated Statement of Earnings.

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

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

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

	2011	2010
Net earnings attributable to shareholders of Boralex	2,883	35,072
Net earnings from discontinued operations	(5,489)	(11,658)
Non-controlling interests	(379)	201
Income tax recovery	(2,311)	(38,016)
Net loss on financial instruments	972	241
Foreign exchange loss (gain)	(961)	701
Financing costs	49,664	23,850
Other gains	(2,959)	(774)
Net gain on deemed disposal of investment in the Fund	-	(24,744)
Impairment of goodwill	-	23,158
Impairment of property, plant and equipment	1,503	-
Amortization	57,833	31,383
<b>EBITDA</b>	<b>100,756</b>	<b>39,414</b>

### Information on Principal Clients

Revenues are allocated to different countries by the client's country of domicile. In 2011, the Corporation had four clients (four clients in 2010) 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:

2011		2010	
% of sales attributable to one client	Segment(s)	% of sales attributable to one client	Segment(s)
27	Hydroelectric and thermal	35	Wind and thermal
22	Wind and thermal	16	Hydroelectric and thermal
16	Hydroelectric	13	Wind
14	Wind	11	Hydroelectric

Note 32. Segmented Information (Cont'd)

Information by Operating Segment

	2011	2010	2011	2010
	Power production (MWh)		Revenues from energy sales	
	(Unaudited)	(Unaudited)		
Wind power stations	554,581	377,392	67,255	45,924
Hydroelectric power stations	703,612	328,290	56,319	26,221
Thermal power stations	469,835	170,529	68,975	30,667
Solar power station	3,227	-	1,476	-
	1,731,255	876,211	194,025	102,812
	EBITDA		Additions to property, plant and equipment	
Wind power stations	53,807	36,263	12,291	175,217
Hydroelectric power stations	41,623	18,929	3,718	2,354
Thermal power stations	20,638	6,132	3,765	1,766
Solar power station	1,330	-	13,409	5,141
Corporate and eliminations	(16,642)	(21,910)	1,236	(530)
	100,756	39,414	34,419	183,948
		As at December 31, 2011	As at December 31, 2010	As at January 1, 2010
<b>Total assets</b>				
Wind power stations		528,521	531,424	360,226
Hydroelectric power stations		366,099	364,534	34,019
Thermal power stations		101,683	201,257	167,223
Solar power station		23,586	7,607	-
Corporate		156,966	140,685	91,328
		1,176,855	1,245,507	652,796
<b>Total liabilities</b>				
Wind power stations		392,611	437,972	258,651
Hydroelectric power stations		143,439	139,922	29,499
Thermal power stations		29,581	26,476	15,778
Solar power station		21,043	3,286	-
Corporate		261,303	270,162	11,659
		847,977	877,818	315,587

Note 32. Segmented Information (Cont'd)

Information by Geographic Segment

	2011	2010	2011	2010
	Power production (MWh)		Revenues from energy sales	
	(Unaudited)	(Unaudited)		
Canada	901,853	356,025	102,404	38,590
United States	466,381	225,045	35,145	16,674
France	363,021	295,141	56,476	47,548
	1,731,255	876,211	194,025	102,812
	EBITDA		Additions to property, plant and equipment	
Canada	43,494	4,914	16,469	107,076
United States	27,029	11,111	669	731
France	30,233	23,389	17,281	76,141
	100,756	39,414	34,419	183,948
		As at December 31, 2011	As at December 31, 2010	As at January 1, 2010
<b>Total assets</b>				
Canada		679,354	633,804	201,492
United States		209,003	301,639	181,125
France		288,498	310,064	270,179
		1,176,855	1,245,507	652,796
<b>Non-current assets</b>				
Canada		543,319	529,727	188,370
United States		156,631	247,977	131,089
France		255,496	263,094	244,621
		955,446	1,040,798	564,080
<b>Total liabilities</b>				
Canada		483,731	495,239	73,259
United States		122,827	125,869	32,956
France		241,419	256,710	209,372
		847,977	877,818	315,587

## Note 33.

### Adoption of International Financial Reporting Standards

The Corporation's consolidated financial statements for the fiscal year ended December 31, 2011 are the first annual consolidated financial statements prepared in accordance with IFRS.

In preparing these consolidated financial statements in accordance with IFRS 1, the Corporation has applied, at the transition date, the mandatory exceptions and some of the optional exemptions from full retrospective application of IFRS. The Corporation's transition date is January 1, 2010.

### First-Time Adoption of IFRS

The Corporation has applied the following optional exemptions and mandatory exceptions:

#### Optional Exemptions

##### Business Combinations

IFRS 1 provides for the retrospective or prospective application of IFRS 3R, *Business Combinations*, as of the date of transition. Retrospective application requires the restatement of business combinations occurring prior to the date of transition. The Corporation has elected not to apply IFRS 3R retrospectively to business combinations occurring prior to the date of transition. Accordingly, these business combinations have not been restated. Under this exemption, no adjustments have been made to the carrying amount of net assets acquired as part of business combinations prior to the date of transition and determined according to Canadian GAAP.

##### Cumulative Translation Differences Included Under *Other Comprehensive Income (Loss)*

Retrospective application of IFRS in this respect would require us to determine the amount of cumulative translation differences in accordance with IAS 21, *The Effects of Changes in Foreign Exchange Rates*, from the date at which a foreign subsidiary or an associate was formed or acquired. IFRS 1 allows cumulative translation differences to be reset at zero at the date of transition. The Corporation has elected to apply this optional exemption.

##### Fair Value as Deemed Cost

IFRS 1 allows an entity to measure each of its property, plant and equipment items using the fair value method ("fair value model") and designate fair value as deemed cost as at the date of transition. An entity may also elect to recalculate the original cost ("cost model") and accumulated amortization retrospectively in accordance with IAS 16, *Property, Plant and Equipment*. The Corporation has elected to apply this cost model for property, plant and equipment.

##### Asset Retirement Obligation

Under IFRIC 1, *Changes in Existing Decommissioning, Restoration and Similar Liabilities*, an entity is required to determine its liabilities to decommission, remove or restore items of property, plant and equipment in accordance with IFRS as of the acquisition date of such items. IFRS 1 allows an entity to prospectively apply the requirements set out in IFRIC 1. The Corporation has elected to measure the liability and impact of amortization prospectively as of the date of transition.

##### Borrowing Costs

IFRS 1 provides for the retrospective or prospective application of IAS 23, *Borrowing Costs*, as of the date of transition. IAS 23 requires an entity to capitalize borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the asset. A "qualifying asset" is an asset that takes a substantial period of time to prepare for its intended use or sale. The Corporation has elected not to apply IAS 23 retrospectively.

##### Employee Benefits

IFRS 1 allows entities to retroactively apply the corridor method according to IAS 19, *Employee Benefits*, and not to recognize actuarial gains and losses of pension plans. IFRS 1 also allows the actuarial gains and losses to be recognized in *Retained earnings* as at the date of transition. The Corporation has elected to recognize all actuarial gains and losses accumulated at the date of transition in *Retained earnings*.

## Mandatory Exceptions

### Hedge Accounting

Hedge accounting may be applied prospectively as of the date of transition only to transactions that meet the hedge accounting criteria set out in IAS 39, *Financial Instruments: Recognition and Measurement*. Hedging relationships may not be designated retrospectively and the supporting documentation may not be created retroactively. As a result, only hedging relationships that meet the hedge accounting criteria as at the transition date are recorded as hedges in the Corporation's *Other comprehensive income (loss)* under IFRS. All derivatives, whether they meet IAS 39 criteria for hedge accounting or not, were fair valued and recorded in the statement of financial position.

### Estimates

Hindsight is not used to create or revise estimates. Therefore, the estimates previously made by the Corporation under Canadian GAAP were not revised for the application of IFRS.

### Impact of Transition to IFRS

The differences between Canadian GAAP ("previous GAAP") and IFRS identified as having a significant effect on the financial performance and financial position previously reported by the Corporation for the fiscal year ended December 31, 2010 are summarized in the following reconciliation tables.

### Acquisition of the Fund

The reconciliation tables shown below present the impact of the finalization of the PPA relating to the Fund (note 5). The impact of these adjustments is shown under the PPA column in the reconciliation of the consolidated statement of financial position as at December 31, 2010 and in the reconciliations of the consolidated statement of earnings and the consolidated statement of comprehensive income (loss) for the year ended December 31, 2010.

### General Presentation of the Consolidated Statement of Earnings

As part of its IFRS conversion process, the Corporation has carried out a comprehensive review of the overall presentation of its consolidated statement of financial position and its consolidated statement of earnings. The reconciliations that follow show the reclassifications and adjustments from Canadian GAAP to IFRS as well as the new terminology used for the consolidated financial statements prepared according to IFRS.

### Cash Flows

Under Canadian GAAP, interest paid and income taxes paid included in the determination of net earnings were disclosed separately as supplementary cash flow information. Under IFRS, interest paid and income taxes paid are included in the body of the statement of cash flows as separate line items under *Operating activities*.

Note 33. Adoption of International Financial Reporting Standards (Cont'd)

## Consolidated Statement of Financial Position–Reconciliation

As at  
January 1,  
**2010**

(in thousands of dollars)	Notes	Canadian GAAP	Reclassification	IFRS adjustments	IFRS	IFRS terminology
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash and cash equivalents		37,821	-	-	37,821	Cash and cash equivalents
Accounts receivable		39,632	-	-	39,632	Trade and other receivables
Future income taxes		422	(422)	-	-	Current income tax asset
Inventories		8,726	-	-	8,726	Inventories
Prepaid expenses		2,537	-	-	2,537	Prepaid expenses
		89,138	(422)	-	88,716	<b>CURRENT ASSETS</b>
Investment	(e)	55,446	-	(9,717)	45,729	Investment in the Fund
Property, plant and equipment	(d)	413,539	-	(832)	412,707	Property, plant and equipment
Energy sales contracts		49,023	-	-	49,023	Energy sales contracts
		-	4,146	-	4,146	Water rights
		-	8,363	-	8,363	Other intangible assets
		-	7,297	-	7,297	Other non-current financial assets
Other long-term assets		56,621	(19,806)	-	36,815	Other non-current assets
		574,629	-	(10,549)	564,080	<b>NON-CURRENT ASSETS</b>
		663,767	(422)	(10,549)	652,796	<b>TOTAL ASSETS</b>
<b>LIABILITIES</b>						
<b>CURRENT LIABILITIES</b>						
Bank loans and advances		12,291	-	-	12,291	Bank loans and overdraft
Accounts payable and accrued liabilities	(a), (b)	28,913	-	2,885	31,798	Trade and other payables
Income taxes payable		283	-	-	283	Current income tax liability
Current portion of long-term debt		24,273	-	-	24,273	Current portion of debt
		65,760	-	2,885	68,645	<b>CURRENT LIABILITIES</b>
Long-term debt		206,116	-	-	206,116	Non-current debt
Future income taxes	(a), (b), (d), (e), (f)	37,185	(422)	(3,582)	33,181	Deferred income tax liability
Fair value of derivative financial instruments		7,645	-	-	7,645	Other non-current financial liabilities
		250,946	(422)	(3,582)	246,942	<b>NON-CURRENT LIABILITIES</b>
		316,706	(422)	(697)	315,587	<b>TOTAL LIABILITIES</b>
<b>EQUITY</b>						
Capital stock		222,694	-	-	222,694	Capital stock
Contributed surplus	(f)	4,295	-	(5)	4,290	Contributed surplus
Retained earnings	(a), (b), (c), (d), (e), (f)	159,900	-	(54,362)	105,538	Retained earnings
Accumulated other comprehensive loss	(c)	(46,859)	-	44,515	(2,344)	Other comprehensive loss
		340,030	-	(9,852)	330,178	Equity attributable to shareholders
Non-controlling interests		7,031	-	-	7,031	Non-controlling interests
<b>Total equity</b>		347,061	-	(9,852)	337,209	<b>TOTAL EQUITY</b>
		663,767	(422)	(10,549)	652,796	<b>TOTAL LIABILITIES AND EQUITY</b>

Note 33. Adoption of International Financial Reporting Standards (Cont'd)

## Consolidated Statement of Financial Position–Reconciliation

As at December 31,

**2010**

(in thousands of dollars)	Note	Canadian GAAP	Adjustments			IFRS	IFRS terminology
			Reclassification	PPA	IFRS		
<b>ASSETS</b>							
<b>CURRENT ASSETS</b>							
Cash and cash equivalents		92,650	-	-	-	92,650	Cash and cash equivalents
Restricted cash		15,924	-	-	-	15,924	Restricted cash
Accounts receivable		60,420	-	-	-	60,420	Trade and other receivables
Available-for-sale financial asset		21,508	-	1,743	-	23,251	Available-for-sale financial asset
Future income taxes		512	(512)	-	-	-	Current income tax asset
Inventories		9,179	-	-	-	9,179	Inventories
Prepaid expenses		2,516	-	-	-	2,516	Prepaid expenses
Fair value of derivative financial instruments		769	-	-	-	769	Other current financial assets
		203,478	(512)	1,743	-	204,709	CURRENT ASSETS
Property, plant and equipment	(d)	810,700	-	(71,275)	(541)	738,884	Property, plant and equipment
Energy sales contracts	(a), (d)	100,673	-	5,436	(2,115)	103,994	Energy sales contracts
		-	2,925	110,090	-	113,015	Water rights
		-	15,432	-	-	15,432	Other intangible assets
Other long-term assets		47,699	(18,357)	2,068	-	31,410	Other non-current assets
Goodwill	(i)	70,721	-	(9,500)	(23,158)	38,063	Goodwill
		1,029,793	-	36,819	(25,814)	1,040,798	NON-CURRENT ASSETS
		1,233,271	(512)	38,562	(25,814)	1,245,507	TOTAL ASSETS
<b>LIABILITIES</b>							
<b>CURRENT LIABILITIES</b>							
Bank loans and advances		195	-	-	-	195	Bank loans and overdraft
Accounts payable and accrued liabilities	(a), (b)	58,815	-	-	743	59,558	Trade and other payables
Income taxes payable		3,209	-	-	-	3,209	Current income tax liability
Fair value of derivative financial instruments		183	-	-	-	183	Other current financial liabilities
Current portion of long-term debt		34,033	-	-	-	34,033	Current portion of debt
		96,435	-	-	743	97,178	CURRENT LIABILITIES
Long-term debt		479,546	-	-	-	479,546	Non-current debt
Convertible debentures		220,824	-	-	-	220,824	Convertible debentures
Future income taxes	(a), (b), (d), (e), (f), (h), (i)	47,949	(512)	38,174	(19,156)	66,455	Deferred income tax liability
Fair value of derivative financial instruments		10,834	-	-	-	10,834	Other non-current financial liabilities
Long-term lease accruals		2,981	-	-	-	2,981	Other non-current liabilities
		762,134	(512)	38,174	(19,156)	780,640	NON-CURRENT LIABILITIES
		858,569	(512)	38,174	(18,413)	877,818	TOTAL LIABILITIES
<b>EQUITY</b>							
Capital stock		222,853	-	-	-	222,853	Capital stock
Equity component of convertible debentures	(h)	19,537	-	-	(5,049)	14,488	Equity component of convertible debentures
Contributed surplus	(f)	5,527	-	-	(499)	5,028	Contributed surplus
Retained earnings	(a), (b), (c), (d), (e), (f), (g), (i)	184,690	-	388	(43,385)	141,693	Retained earnings
Accumulated other comprehensive loss	(c), (g), (i)	(66,799)	-	-	42,094	(24,705)	Other comprehensive loss
		365,808	-	388	(6,839)	359,357	Equity attributable to shareholders
Non-controlling interests	(i)	8,894	-	-	(562)	8,332	Non-controlling interests
Total equity		374,702	-	388	(7,401)	367,689	TOTAL EQUITY
		1,233,271	(512)	38,562	(25,814)	1,245,507	TOTAL LIABILITIES AND EQUITY

Note 33. Adoption of International Financial Reporting Standards (Cont'd)

## Consolidated Statement of Earnings–Reconciliation

For the fiscal year ended December 31

2010

(in thousands of dollars, except per share amounts and number of shares)	Note	Adjustments				IFRS	IFRS terminology
		Canadian GAAP	PPA	IFRS	Discontinued operations (Note 23)		
Revenues from energy sales		202,864	-	-	(100,052)	<b>102,812</b>	Revenues from energy sales
Operating costs		115,568	-	-	(73,397)	<b>42,171</b>	Operating expenses
		87,296	-	-	(26,655)	<b>60,641</b>	
Share in loss of the Fund	(e)	(3,251)	-	103	-	<b>(3,148)</b>	Share in loss of the Fund
Management revenues from the Fund		4,437	-	-	-	<b>4,437</b>	Management revenues from the Fund
Other income		718	-	-	-	<b>718</b>	Other income
		89,200	-	103	(26,655)	<b>62,648</b>	
<b>OTHER EXPENSES</b>							
Management and operation of the Fund		3,995	-	-	-	<b>3,995</b>	Management and operation of the Fund
Development		4,214	-	-	(1)	<b>4,213</b>	Development
Administrative	(f)	17,025	-	(494)	(1,505)	<b>15,026</b>	Administrative
		25,234	-	(494)	(1,506)	<b>23,234</b>	
<b>OPERATING INCOME</b>		63,966	-	597	(25,149)	<b>39,414</b>	<b>OPERATING INCOME</b>
Amortization	(d)	40,658	(571)	(272)	(8,432)	<b>31,383</b>	Amortization
Foreign exchange loss	(g)	4,298	-	(3,604)	7	<b>701</b>	Foreign exchange loss
Net loss on financial instruments		247	-	-	(6)	<b>241</b>	Net loss on financial instruments
Financing costs		24,104	-	-	(254)	<b>23,850</b>	Financing costs
Impairment of goodwill	(i)	-	-	23,158	-	<b>23,158</b>	Impairment of goodwill
Net gain on deemed disposal of investment in the Fund	(i)	(15,130)	-	(9,614)	-	<b>(24,744)</b>	Net gain on deemed disposal of investment in the Fund
Gain on sale of subsidiary		(774)	-	-	-	<b>(774)</b>	Other gains
		53,403	(571)	9,668	(8,685)	<b>53,815</b>	
<b>EARNINGS (LOSS) BEFORE INCOME TAXES AND NON-CONTROLLING INTERESTS</b>							
		10,563	571	(9,071)	(16,464)	<b>(14,401)</b>	
Income tax recovery	(d), (e), (f), (i)	(12,738)	183	(20,655)	(4,806)	<b>(38,016)</b>	Income tax recovery
<b>NET EARNINGS (LOSS) FROM CONTINUING OPERATIONS</b>		23,301	388	11,584	(11,658)	<b>23,615</b>	<b>NET EARNINGS (LOSS) FROM CONTINUING OPERATIONS</b>
Net earnings from discontinued operations		-	-	-	11,658	<b>11,658</b>	Net earnings from discontinued operations
Net earnings including non-controlling interests		23,301	388	11,584	-	<b>35,273</b>	<b>NET EARNINGS</b>
Non-controlling interests		(201)	-	-	-	<b>(201)</b>	Net earnings attributable to non-controlling interests
<b>NET EARNINGS ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX</b>		23,100	388	11,584	-	<b>35,072</b>	<b>NET EARNINGS ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX</b>
<b>NET EARNINGS PER SHARE (BASIC AND DILUTED) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX</b>							
Continuing operations		\$0.61				<b>\$0.62</b>	Continuing operations
Discontinued operations		-				<b>\$0.31</b>	Discontinued operations
		\$0.61				<b>\$0.93</b>	

## Consolidated Statement of Comprehensive Income (Loss)–Reconciliation

For the fiscal year ended December 31

2010

(in thousands of dollars)	Note	Adjustments			Discontinued operations (note 23)	IFRS	IFRS terminology
		Canadian GAAP	PPA	IFRS			
<b>Net earnings for the year including non-controlling interests</b>		23,301	388	11,584	-	35,273	<b>NET EARNINGS</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>							<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>
<b>TRANSLATION ADJUSTMENTS</b>							<b>TRANSLATION ADJUSTMENTS</b>
Unrealized foreign exchange loss on translation of financial statements of self-sustaining foreign operations		(15,537)	-	(6)	-	(15,543)	Unrealized foreign exchange loss on translation of financial statements of self-sustaining foreign operations
Reclassification to net earnings of a realized foreign exchange loss related to the reduction of net investment in self-sustaining foreign operations	(g)	3,604	-	(3,604)	-	-	Reclassification to net earnings of a realized foreign exchange loss related to the reduction of net investment in self-sustaining foreign operations
Taxes		(179)	-	-	-	(179)	Taxes
<b>CASH FLOW HEDGES</b>							<b>CASH FLOW HEDGES</b>
Change in fair value of financial instruments		(11,028)	-	-	(3,442)	(14,470)	Change in fair value of financial instruments
Hedging items realized and recognized in net earnings		(5,554)	-	-	8,438	2,884	Hedging items realized and recognized in net earnings
Hedging items realized and recognized in balance sheet		5,652	-	-	-	5,652	Hedging items realized and recognized in statement of financial position
Taxes		3,829	-	-	(1,998)	1,831	Taxes
<b>LOSS ON AVAILABLE-FOR-SALE FINANCIAL ASSET</b>							<b>AVAILABLE-FOR-SALE FINANCIAL ASSET</b>
Unrealized loss on available-for-sale financial asset		(727)	-	-	-	(727)	Change in fair value of an available-for-sale financial asset
Discontinued operations		-	-	-	(2,998)	(2,998)	Discontinued operations
		(19,940)	-	(3,610)	-	(23,550)	<b>Total other comprehensive loss</b>
<b>Comprehensive income for the year including non-controlling interests</b>		3,361	388	7,974	-	11,723	<b>COMPREHENSIVE INCOME</b>
<b>Loss for the year attributable to non-controlling interests</b>		(201)	-	1,189	-	988	Comprehensive loss attributable to non-controlling interests
<b>Comprehensive income for the year attributable to shareholders</b>		3,160	388	9,163	-	12,711	Comprehensive income attributable to shareholders of Boralex

## Notes to the Reconciliations

### (a) Business Combinations

Under Canadian GAAP, contingent consideration related to business combinations was recognized as an adjustment to the acquisition entry when such consideration was paid. Under IFRS, contingent consideration is recognized at fair value at the time of the acquisition. Subsequent changes are recognized through earnings for the period.

On January 1, 2010, the Corporation recognized a contingent consideration payable in the amount of \$2,842,000, including related taxes of \$750,000, in connection with the acquisition of the Thames River wind power sites in Ontario. The contingent consideration in the amount of \$2,092,000 was recorded in *Retained earnings*.

In the third quarter of 2010, the Corporation paid a portion of the contingent consideration, amounting to \$2,142,000, and recorded a reversal of the payable under power sales contracts in the same amount, leaving a balance of \$700,000 payable as at December 31, 2010.

### (b) Employee Benefits

In accordance with the optional exemption provided for in IFRS 1, the Corporation has elected to recognize all actuarial gains and losses not recognized in its defined benefit pension plans. On January 1, 2010, the Corporation recognized actuarial losses in the amount of \$43,000, including related taxes of \$11,000. The offsetting amount of \$32,000 was charged to *Retained earnings*.

### (c) Cumulative Translation Differences Included Under *Other Comprehensive Income (Loss)*

In accordance with the optional exemption provided for in IFRS 1, the Corporation elected to reset at zero all cumulative translation gains and losses related to its foreign operations. On January 1, 2010, an amount of \$44,515,000 was thus transferred to *Retained earnings*.

### (d) Property, Plant and Equipment and Intangible Assets

#### *Impairment Test*

Under Canadian GAAP, an impairment loss was recognized only when the net carrying amount of an asset exceeds total undiscounted future cash flows. Under IFRS, an impairment loss is recognized when the net carrying amount of an asset exceeds total discounted future cash flows. On January 1, 2010, the Corporation tested its property, plant and equipment and power sales contracts for impairment. Subsequent to this test, no impairment was recognized.

#### *Amortization Method*

The Québec power stations with long-term sales contracts are amortized by component using the straight-line method according to IFRS. Under GAAP, they were amortized using the compound interest method at a rate of 3%. In addition, new components were identified according to IFRS and amortized separately.

#### *These adjustments have the following impacts:*

As at January 1, 2010:

Property, plant and equipment	\$(832,000)
Future income taxes	\$(253,000)
Retained earnings	\$(579,000)

For the year ended December 31, 2010:

Property, plant and equipment	\$245,000
Energy sales contracts	\$27,000
Future income taxes	\$39,000
Retained earnings	\$233,000
Amortization expense	\$(272,000)
Income tax expense	\$39,000

## Note 33. Adoption of International Financial Reporting Standards (Cont'd)

### (e) Investment

#### **Impairment Test**

Under Canadian GAAP, an impairment loss is recognized only when the net carrying amount of an asset exceeds total undiscounted future cash flows. Under IFRS, an impairment loss is recognized when the net carrying amount of an asset exceeds total discounted future cash flows. On January 1, 2010, the Fund tested its property, plant and equipment and intangible assets for impairment, based on these CGUs. Subsequent to this test, the Fund recognized an impairment loss of \$55,072,000 for the property, plant and equipment at the Senneterre power station. As Boralex's share in the Fund was 23.3%, the share of the impairment loss is equivalent to a \$12,832,000 decrease in the investment. The related taxes amounted to \$3,388,000.

This impairment charge resulted from the fact that discounted future cash flows of this power station over the long term were insufficient to recover the current value of the property plant and equipment. To perform the impairment test, the recoverable amount of the Senneterre power station was determined using the calculated value in use. This value was calculated using cash flow projections based on financial forecasts up to the expiry date of the power sales contract, which is 2026. Pre-tax cash flows were discounted using a pre-tax discount rate of 12.14%.

#### **Amortization Method**

The Fund changed its accounting treatment for property, plant and equipment and intangible assets. The Québec power stations with long-term sales contracts are amortized by component using the straight-line method according to IFRS while, under Canadian GAAP, they were amortized using the compound interest method at a rate of 3%. In addition, new components were identified according to IFRS and amortized separately. As at January 1, 2010, the impact of these changes, net of the deferred gain, was a \$3,115,000 increase in the investment in the Fund, based on the Corporation's 23.3% share in the Fund. The related taxes amounted to \$822,000.

#### **These adjustments following the impairment test and the change in the amortization method had the following impacts:**

As at January 1, 2010:

Investment	\$(9,717,000)
Future income taxes	\$(2,566,000)
Retained earnings	\$(7,151,000)

For the year ended December 31, 2010:

Investment	\$103,000
Future income taxes	\$17,000
Retained earnings	\$86,000

Share in loss of the Fund	\$103,000
Income tax expense	\$17,000

### (f) Stock-Based Compensation

Under GAAP, the Corporation recognized its stock-based compensation expense on a straight-line basis while IFRS requires the expense to be recognized over the vesting period of each tranche.

#### **These adjustments had the following impacts:**

As at January 1, 2010:

Future income taxes	\$(2,000)
Contributed surplus	\$(5,000)
Retained earnings	\$7,000

For the year ended December 31, 2010:

Future income taxes	\$(130,000)
Contributed surplus	\$(494,000)
Retained earnings	\$624,000

Compensation expense	\$(494,000)
Income tax expense	\$(130,000)

Note 33. Adoption of International Financial Reporting Standards (Cont'd)

**(g) Foreign Exchange Impact**

Under Canadian GAAP, when an entity made a partial repayment of long-term intercompany advances considered as part of its net investment in a foreign subsidiary, a proportional amount of cumulative translation adjustments was recognized through earnings for the period. Under IFRS, an entity recognizes cumulative translation adjustments through earnings for the period only if there is a disposal of substantially all of its net investment in the foreign subsidiary.

***These adjustments had the following impacts:***

For the year ended December 31, 2010:

Retained earnings	\$3,604,000
Accumulated other comprehensive loss	\$(3,604,000)
Foreign exchange gain	\$(3,604,000)

**(h) Tax on Convertible Debentures and Imputed Interest**

Under Canadian GAAP, temporary differences between the liability component of convertible debentures and the underlying tax basis are not recognized as future income taxes. Under IFRS, future income taxes are recognized for such temporary differences. Accordingly, future income taxes were recognized in respect of the equity component of convertible debentures.

***These adjustments had the following impacts:***

For the year ended December 31, 2010:

Future income taxes	\$5,049,000
Equity component of convertible debentures	\$(5,049,000)

**(i) Investment in the Fund**

The Fund's earnings have been consolidated as of September 15, 2010 with a share of non-controlling interests up to October 30, 2010. The acquisition of the Fund was carried out in two steps: (1) deemed disposal of the Corporation's interest in the Fund and calculation of the gain on the disposal, and (2) acquisition of all the units of the Fund at fair value and finalization of the allocation of the purchase price. The transactions under step 1 were recalculated under IFRS. The results of step 2 only impacted the PPA as at December 31, 2010.

On November 2, 2010, the Corporation carried out a reorganization of its tax structure, including the initial operations of the Fund, which resulted in the elimination of Fund entities and revocation of its trust status. As at September 15, 2010, high income tax rates generated future income taxes of \$23,158,000 and related goodwill of \$23,158,000. The Corporation then remeasured its future income tax balances using the new income tax rate, resulting in a \$23,158,000 decrease in future income taxes and an increase in the Fund's net assets. As a result of this reorganization, the Corporation tested goodwill for impairment due to an indication that future cash flows would be inadequate to recover the value of the Fund's net assets. Subsequent to this test, during the fourth quarter of 2010, the Corporation recognized a goodwill impairment charge of \$23,158,000. Accordingly, goodwill totalled \$38,063,000 as at December 31, 2010.

***These adjustments had the following impacts:***

For the year ended December 31, 2010:

**Deemed disposal of Boralex's investment in the Fund and calculation of the gain on disposal:**

Investment (reversal of IFRS adjustments)	\$(9,614,000)
Future income taxes	\$2,577,000
Retained earnings	\$7,037,000
Non-controlling interests	\$(562,000)
Accumulated other comprehensive loss	\$1,169,000
Retained earnings	\$(607,000)
Net gain on deemed disposal of investment in the Fund	\$(9,614,000)
Income tax expense	\$2,577,000

**Impairment of goodwill and recovery of taxes**

Goodwill	\$(23,158,000)
Future income taxes	\$(23,158,000)
Income tax expense	\$(23,158,000)
Impairment of goodwill	\$23,158,000

# General Information

## HEAD OFFICE

Boralex Inc.  
36 Lajeunesse Street  
Kingsey Falls, Québec  
Canada J0A 1B0  
Telephone: 819.363.5860  
Fax: 819.363.5866

## BUSINESS OFFICES

Boralex Inc.  
772 Sherbrooke Street West, Suite 200  
Montréal, Québec  
Canada H3A 1G1  
Telephone: 514.284.9890  
Fax: 514.284.9895

Boralex S.A.S.  
2, rue du Priez  
59 000 Lille  
France  
Telephone: 33 (0)3 28 36 55 02  
Fax: 33 (0)3 28 36 54 96

Boralex S.A.S.  
25, rue de la République  
13 002 Marseille  
France  
Telephone: 33 (0)4.91.01.64.40  
Fax: 33 (0)4.91.01.64.46

## WWW.BORALEX.COM

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

## TRANSFER AGENT AND REGISTRAR

Computershare Investor Services Inc.  
1500 University Street, Suite 700  
Montréal, Québec H3A 3S8 Canada  
Telephone: 1.800.564.6253  
514.982.7888  
Fax: 1.888.453.0330  
514.982.7635  
service@computershare.com

## SHAREHOLDER INFORMATION

The annual Meeting of Shareholders will be held on Wednesday, May 9, 2012, at 11:00 a.m., at the:

**Mont-Royal Center**  
Room Cartier I and II  
2200, Mansfield Street  
Montréal, Québec H3A 3R8 Canada  
Telephone : 514.844.2000  
1.888.844.2200

## ADDITIONAL INFORMATION MAY BE OBTAINED FROM:

Communications Department  
Boralex Inc.  
772 Sherbrooke Street West, Suite 200  
Montréal, Québec H3A 1G1 Canada  
Telephone: 514.985.1353  
Fax: 514.985.1355

Pour obtenir une version française du rapport annuel, veuillez communiquer avec le Service des communications.

# BOARD OF DIRECTORS

**BERNARD LEMAIRE**  
Executive Chairman of the Board  
Borex Inc.

**PATRICK LEMAIRE**  
President and Chief Executive  
Officer  
Borex Inc.

**GERMAIN BENOIT** <sup>(1) (4)</sup>  
Chairman of the board  
Capital Benoit Inc.

**ALAIN DUCHARME** <sup>(4)</sup>  
Consultant

**EDWARD H. KERNAGHAN** <sup>(3)</sup>  
President  
Principia Research Inc. and  
Kernwood Ltd  
Executive Vice President  
Kernaghan Securities Ltd.

**RICHARD LEMAIRE** <sup>(2)</sup>  
President  
Séchoirs Kingsey Falls Inc.

**YVES RHEAULT** <sup>(2) (4)</sup>  
Corporate Director and  
Consultant

**ALAIN RHÉAUME** <sup>(3)</sup>  
Founder and Managing Partner  
Trio Capital Inc.

**MICHELLE SAMSON-DOEL** <sup>(1) (3)</sup>  
President  
Samson-Doel Group Ltd.  
Corporate Director

**PIERRE SECCARECCIA** <sup>(1)</sup>  
Corporate Director

**GILLES SHOONER** <sup>(2)</sup>  
Environmental Consultant

- (1) Member of the Audit Committee
- (2) Member of the Environmental,  
Health and Safety Committee
- (3) Member of the Corporate  
Governance Committee
- (4) Member of the Human Resources Committee

# MANAGEMENT TEAM

**BERNARD LEMAIRE**  
Executive Chairman of the Board

**PATRICK LEMAIRE**  
President and Chief  
Executive Officer

**JEAN-FRANÇOIS THIBODEAU**  
Vice-President and Chief  
Financial Officer

**SYLVAIN AIRD**  
Vice-President, Legal Affairs  
and Corporate Secretary

**DENIS AUBUT**  
General Manager, Operations

**PATRICK DECOSTRE**  
General Manager,  
Borex Europe

**HUGUES GIRARDIN**  
General Manager,  
Development

**GUY D'AOUST**  
Director, Finance and  
Treasurer

**GUY GAGNON**  
Director, Human Resources

**PATRICIA LEMAIRE**  
Director, Public Affairs  
and Communications

**GABRIEL OUELLET**  
Director, Biomass

