wind,
water
and fire

natural elements,
we *make* the most
of their energy

Quarterly Report as at June 30, 2007

Boralex

Profile

Boralex Inc. (“Boralex” or the “Corporation”) is a private electricity producer whose core business is the development and operation of power stations that run on renewable energy. Employing close to 300 people in Québec, the northeastern United States and France, the Corporation owns and operates 22 power stations with an installed capacity of 347 megawatts (“MW”).

Boralex is distinguished by its leading expertise and extensive experience in four types of power generation:

- In recent years, Boralex has become one of the biggest and most experienced **wind power** producers in France, where it currently operates seven wind farms with an installed capacity of 103 MW. In addition, Boralex recently signed a memorandum of agreement to acquire rights and build nine wind farms with an installed capacity of 90 MW in Ontario, Canada.

- Boralex owns eight **hydroelectric** power stations: five in the U.S., two in Québec and one in France, with a combined installed capacity of 26 MW.

- Boralex is the largest producer of **wood-residue** energy in North America, operating six thermal power stations in the U.S. states of Maine and New York, with a total installed capacity of 204 MW.

- Boralex also operates a 14 MW **natural gas** cogeneration power station in France.

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

In addition to its own power stations, Boralex also manages 10 power stations with a total installed capacity of 190 MW in Québec and the northeastern U.S. owned by the Boralex Power Income Fund (the “Fund”), in which Boralex holds a 23% interest.

Interim Management Discussion and Analysis as at June 30, 2007

Introductory Comments

General

This management discussion and analysis reviews the Corporation's operating results and cash flows for the three-month periods ended June 30, 2006 and 2007, in addition to its financial position at those dates. It should be read in conjunction with the unaudited consolidated quarterly financial statements accompanying this report, as well as with the management discussion and analysis, audited financial statements and related notes contained in the Corporation's annual report for the fiscal year ended December 31, 2006.

Additional information about the Corporation, including the annual information form, previous annual reports, management discussions and analyses, quarterly financial statements and press releases are published separately and are available on the SEDAR website (www.sedar.com).

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

In this report, Boralex or the Corporation mean, as applicable, Boralex Inc. and its subsidiaries and divisions or Boralex Inc. or one of its subsidiaries or of its divisions.

The information contained in this report reflects all material events up to August 7, 2007, on which date the Board of Directors approved the quarterly financial statements and this management discussion and analysis.

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

Notice Concerning Forward-Looking Statements

The purpose of this report is to help the reader understand the nature and importance of changes and trends, as well as the risks and uncertainties that can affect Boralex's operating results and financial position. Some of the statements contained in this report, including those regarding future results and performance, may constitute forward-looking statements within the meaning of securities legislation. These statements are characterized by the use of positive or negative forms of verbs such as "plan," "anticipate," "evaluate," "estimate," "believe" and other related expressions. These statements are based on Boralex management's expectations, estimates and assumptions as at August 7, 2007.

Boralex would like to point out that, by their very nature, forward-looking statements involve risks and uncertainties. The Corporation's results or the measures it adopts could therefore differ materially from those indicated or underlying such statements, or could have an impact on the degree of realization of a particular projection.

The main factors that may 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, increases in raw materials costs, currency fluctuations, volatility in the selling price of electricity, the Corporation's financing capacity, negative changes in general market and industry conditions, as well as other factors described under *Risks and Uncertainties* in the management discussion and analysis included in the Corporation's annual report for the year ended December 31, 2006. Unless otherwise indicated by the Corporation, forward-looking statements do not take into account the potential impact on its operations of transactions, non-recurring items or other exceptional items that are announced or arise after these statements are made.

No assurance may be given regarding actual results, returns or realizations that are presented or implied in forward-looking statements; the reader is asked to not place undue confidence in them. Unless required to do so under applicable securities legislation, Boralex management does not assume any obligation to update or revise forward-looking statements as a result of new information, future events or other changes.

Compliance with Generally Accepted Accounting Principles

Unless otherwise specified, all financial information in this report, including tabular information, is prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). This report also contains figures that are not performance measurements according to GAAP. For instance, Boralex uses earnings before interest, taxes, depreciation and amortization ("EBITDA") because this method allows management to assess the operating and financial performance of the Corporation's reportable segments. Please see "Additional Information about Non-GAAP Performance Measurements" in this report for a comparison of EBITDA figures and certain items in Boralex's consolidated statement of income.

Seasonality

Operations and results for some of the Corporation's power stations are subject to seasonal cycles that vary by segment. The impact of seasonal variations varies depending on whether the power stations have power sale agreements or not. For the 13 Boralex power stations that have long-term fixed-price power sale agreements, the seasonal cycles mainly affect the volume of power generated. The eight power stations that do not have long-term contracts and that sell their power on the open market in the northeastern U.S. are more affected by seasonal fluctuations that, in addition to influencing production volume, also have an impact on selling prices in the electricity market.

Generally, electricity consumption increases in the winter and summer, corresponding to Boralex's first and third quarters. This means that power stations that sell in the open market usually obtain higher average electricity prices during both periods. Because wood-residue power stations can control their production level, they can generate more power during these high-demand periods. As a result, their regular maintenance is performed in the spring or fall, affecting their operating results for those periods.

Hydroelectric generation depends on water flows, which peak in the spring in Québec and the northeastern U.S. and are generally adequate in the fall, corresponding to Boralex's second and fourth quarters. Flows tend to decrease in the winter and summer. It should be noted that Boralex's hydroelectric facilities do not have reservoirs that would permit regulation of water flows.

In the wind power segment, on which Boralex's French operations are currently focused, wind conditions are usually more favourable in the winter, that is, during Boralex's first and fourth quarters. However, in the winter there is a higher risk of downtime caused by weather conditions such as icing.

The natural gas cogeneration plant's long-term contract with Électricité de France ("EDF") contains a ceiling clause on electricity prices from April to October. When natural gas prices are high, the profit margin for this period is not sufficient to offset the ceiling on electricity prices. The cogeneration equipment may therefore be shut down, in which case the Corporation's client is supplied with steam using an auxiliary boiler.

In addition, Boralex's investment in the Fund is also subject to a seasonal cycle. Approximately 50% of the power generated by the Fund is hydroelectric and is thus subject to the same effects as Boralex's hydroelectric plants.

In conclusion, although Boralex's performance is affected by seasonal cycles, the Corporation's diversified production sources reduce such seasonal variations. The Corporation is also seeking to develop complementary revenue streams in order to increase and secure its sales. It participates, for example, in the carbon dioxide ("CO_2") emission allowances market in France and the Renewable Energy Certificate, ("REC") market and Forward Capacity Market in the U.S.

Financial Highlights

(in thousands of dollars, unless otherwise indicated)

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2007	2006	**2007**	2006
Financial performance		(restated)		(restated)
Revenue from energy sales				
Wind power sites	**4,934**	5,221	**13,202**	10,795
Hydroelectric power stations	**2,857**	2,693	**5,936**	6,287
Wood-residue thermal power stations	**22,839**	11,001	**56,199**	33,249
Natural gas thermal power station	**1,724**	1,904	**7,819**	7,589
	32,354	20,819	**83,156**	57,920
EBITDA				
Wind power sites	**3,867**	4,457	**10,937**	8,968
Hydroelectric power stations	**2,203**	2,129	**4,269**	4,692
Wood-residue thermal power stations	**2,239**	(2,767)	**13,766**	1,480
Natural gas thermal power station	**(329)**	344	**1,776**	3,847
Corporate and eliminations	**(1,764)**	746	**626**	3,503
	6,216	4,909	**31,374**	22,490
Net earnings	**4,838**	1,411	**14,615**	8,945
Per share, basic (in dollars)	**0.15**	0.05	**0.47**	0.30
Per share, diluted (in dollars)	**0.15**	0.05	**0.46**	0.30
Weighted average number of shares outstanding	**32,526,623**	30,038,064	**31,300,863**	30,017,924

	June 30, 2007	December 31, 2006
Financial position		(restated)
Total assets	**518,842**	476,030
Total debt *	**177,850**	234,328
Shareholders' equity	**288,651**	182,033

* Including the current portion of long-term debt

	2007
Historical average of hydroelectric generation (MWh)*	
Second quarter ended June 30	**34,851**
Six-month period ended June 30	**68,029**
Annual	**114,868**

* The historical average is determined using all production data available on each power station up to the closing of the latest fiscal year of Boralex inc.

Additional Information about Non-GAAP Performance Measurements

To assess the operating performance of its assets and reportable segments, Boralex uses EBITDA, which is not a performance measurement. Management believes that EBITDA is a widely accepted financial indicator used by investors to assess the performance of a company and its ability to generate cash through operations. However, since EBITDA is not a performance measurement under GAAP, it may not be comparable to similarly named measures used by other companies. Investors should not use EBITDA as an alternative criterion for net earnings, nor as an indicator of operating results or cash flows, nor as a parameter for measuring liquidity.

In Boralex's consolidated statement of income, EBITDA corresponds to "Earnings before amortization." The following table reconciles EBITDA with net earnings:

	Three-month periods ended June 30		Six-month periods ended June 30	
(in thousands of dollars)	**2007**	2006	**2007**	2006
		(restated)		(restated)
Net earnings	**4,838**	1,411	**14,615**	8,945
Non-controlling interest	**(3)**	66	**54**	137
Income tax expense (recovery)	**(507)**	(4,315)	**4,926**	(1,852)
Financial expenses	**2,920**	2,897	**6,326**	5,678
Termination of hedging relationships	**(5,874)**	-	**(5,874)**	-
Amortization	**4,842**	4,850	**11,327**	9,582
EBITDA	**6,216**	4,909	**31,374**	22,490

Operating results for the three-month period ended June 30, 2007

Analysis of major variances

(in millions of dollars)	Revenue from energy sales	EBITDA
June 30, 2006	20.8	4.9
Start-ups	-	(0.3)
Volume	4.2	(0.6)
Pricing	1.9	1.9
RECs	4.6	4.6
CO_2 quotas	-	(0.7)
Capacity premiums	0.9	0.9
Translation of self-sustaining foreign operations	-	0.1
Tax credits	-	(0.1)
Raw materials costs	-	(1.2)
Maintenance and repairs	-	0.3
Fund results	-	(1.1)
Loss on equipment write-off	-	(0.6)
Other	-	(1.9)
June 30, 2007	32.4	6.2

Revenue from energy sales

Revenue from energy sales totalled $32.4 million for the three-month period ended June 30, 2007, up 56% from revenue of $20.8 million for the same period of 2006. Revenue growth stems mainly from the following factors:

- a 28% increase in production volume, which amounts to 326,849 megawatt hours ("MWh") for the second quarter of 2007, compared to 254,865 MWh for the same quarter of 2006. This increase generated $4.2 million in additional revenue and is largely attributable to the wood-residue segment, thanks primarily to good plant availability and to the fact that the Stratton power station was shut down for 75 days during the second quarter of 2006 due to unexpected downtime incidents;

- an increase of about 3% in the average selling price per MWh for all of the Corporation's power stations, primarily due to the application of new power sales agreements for the Ashland and Fort Fairfield wood-residue facilities. These agreements were signed with terms that better reflect prevailing market conditions. In addition, selling prices were higher in the open market in the northeastern U.S., compared to the conditions prevailing whenthe previous contract was signed. The increase in Boralex's average selling price generated about $1.9 million in additional revenue for the second quarter of 2007 compared to the same period of 2006;

- the receipt of $4.6 million in REC revenue, compared to nil REC revenue in the second quarter of 2006. It should be noted that REC sales in the second quarter of 2006 were unfavourably affected by the prolonged shutdown of the Stratton power station. In addition, REC market conditions have improved markedly since the last year-end and this market is currently very active in Connecticut. More specifically, in the second quarter, the Stratton power station sold the balance of the 2006 RECs and entered into futures contracts to sell its entire expected production in 2007 and a portion of its expected production in 2008, 2009 and 2010. As at June 30, 2007, Boralex had signed firm sales agreements totalling more than $37 million (US$35 million) for REC deliveries between July 1, 2007 and December 31, 2010 for the Stratton power station only. It should also be noted that the robust REC market has led to an increase in RECs' market value. In addition, the Chateaugay power station, which qualified for the New York State REC market, also recorded $0.4 million in REC sales in the second quarter of 2007; and

- the recording of $0.9 million in additional revenue in the form of capacity premiums granted by the Forward Capacity Market ("FCM"), which took effect in Maine in December 2006. The FCM enables energy producers, primarily wood-residue power stations, to receive royalties if they agree to maintain their existing capacity. Boralex thus began to benefit from this recurring revenue stream in 2007.

Other revenue

Boralex reported $2.7 million in revenue from sources other than energy sales for the second quarter of 2007, down from $4.4 million for the same period of 2006. This $1.7 million or 39% decrease stems mainly from the $1.0 million drop in Boralex's share of the Fund's results. In particular, the Fund experienced a downturn in its results in the hydroelectric segment due to much less favourable hydraulicity conditions than last year. In addition, the Fund recorded non-recurring expenses related to a property tax adjustment and the Fund's strategic review. Furthermore, Boralex's natural gas facility in France reported nil revenue from sales of excess CO2 emission allowances in the second quarter of 2007, compared to $0.7 million in the same period of 2006.

EBITDA

Consolidated EBITDA totalled $6.2 million for the second quarter of 2007, up 27% from $4.9 million during the same period of 2006. The following factors had a favourable impact on quarterly EBITDA:

- an increase in revenue from REC sales, directly translating into a $4.6 million increase in EBITDA;
- an increase in the average selling prices, which had a favourable impact of $1.9 million on EBITDA;
- FMC capacity premiums, resulting in a favourable impact of $0.9 million; and
- a $0.3 million decrease in maintenance expenses.

In addition, a number of unfavourable factors slowed quarterly EBITDA growth, including:

- a $1.2 million increase in raw materials costs, attributable to the wood-residue segment. The seasonal scarcity of wood residue normally experienced during this period of the year was exacerbated by high production levels at Boralex's power stations during the first quarter of 2007, which led to significant reductions in the facilities' raw materials inventories. In addition, Boralex uses higher-quality (and thus more expensive) residues as part of its strategy to optimize production at its power stations and to comply with more stringent regulations governing REC production. Management is of the opinion that raw materials costs will remain under pressure over the short and medium term due to the limited supply of certain materials and to transportation costs, which are currently influenced by high prices for oil and derived products;
- a $1.1 million decrease in Boralex's share of the Fund's results, as previously mentioned;
- a $0.7 million decrease in sales of excess CO_2 emission allowances by the natural gas facility;
- a decrease in production volume at the hydroelectric power stations and the wind power sites due to less favourable weather conditions, which had a net unfavourable impact of $0.6 million on EBITDA; and
- a number of additional miscellaneous factors, including the write-off of corporate equipment, higher costs in the wood-residue segment (including expenses incurred to test the potential reduction of atmospheric pollutant emissions at certain power stations with a view to qualifying them for the REC market) and higher development expenses in the wind power segment.

(A more detailed analysis of changes in segmented revenue and EBITDA is presented under *Segmented results for the three-month and six-month periods ended June 30, 2007.*)

Amortization, termination of hedging relationships, financial expenses and earnings (loss) before income taxes

For the second quarter of 2007, amortization and financial expenses were comparable to those recorded for the same period of 2006, or $4.8 million and $2.9 million respectively. Boralex expects its financing fees to decrease because of the public share issue completed on June 7, 2007.

The $5,874,000 gain recorded in the second quarter of 2007 represents the fair market value of the interest rate swaps designated as hedges of the loans refinanced on June 25, 2007. Boralex was required to terminate these hedges for reasons described in greater detail under *Financial Instruments*.

Consequently, Boralex recorded $4.3 million in earnings before income taxes for 2007, compared to a $2.8 million loss before income taxes for 2006, representing an improvement of $7.1 million.

Income tax recovery

For the second quarter of 2007, Boralex recorded a $0.5 million income tax recovery, compared to $4.3 million for the same period of 2006. This included non-recurring favourable adjustments totalling $1.8 million ($2.7 million for the same quarter of 2006) related to the decrease in Canadian income tax rates and to an adjustment to certain income tax risk provisions.

Net earnings

For the second quarter of 2007, Boralex recorded net earnings of $4.8 million or $0.15 per share, compared to $1.4 million or $0.05 per share for the same quarter of 2006 (basic and diluted).

Due to the public share issue completed on June 7, 2007, the weighted average number of shares outstanding increased by 30.0 million to 32.5 million.

To summarize, excluding the favourable non-recurring tax adjustments, Boralex improved its profitability for the second quarter of 2007 thanks primarily to a significant increase in REC sales in the wood-residue segment and to higher selling prices for electricity and RECs in the U.S. These favourable factors helped offset the increase in wood residue costs, the decline in the Fund's results, the drop in sales of excess CO_2 emission allowances by the natural gas facility and the decrease in production at the hydroelectric power stations and wind power sites due to less favourable weather conditions than last year.

Operating results for the six-month period ended June 30, 2007

Analysis of major variances

(in millions of dollars)	Revenue from energy sales	EBITDA
June 30, 2006	57.9	22.5
Start-ups	1.9	(0.3)
Volume	8.6	1.3
Pricing	3.4	3.4
RECs	7.7	7.7
CO_2 quotas	-	(2.8)
Capacity premiums	2.2	2.2
Translation of self-sustaining foreign operations	1.5	0.9
Raw materials costs	-	(0.4)
Maintenance and repairs	-	0.7
Fund results	-	(1.2)
Loss on equipment write-off	-	(0.6)
Other	-	(2,0)
June 30, 2007	83.2	31.4

Revenue from energy sales

For the six-month period ended June 30, 2007, revenue from energy sales totalled $83.2 million, up 44% from $57.9 million for the same period of 2006. Revenue growth primarily stems from the following factors:

- a 21% increase in total production, amounting to 785,960 MWh for the first six months of 2007, compared to 649,224 MWh for the same period of 2006. This helped boost revenue by $10.5 million, of which $8.6 million is attributable to increased production at the existing wood-residue power stations and wind power sites, and $1.9 million is attributable to the start-up of the Sherman wood-residue power station during the first quarter (this facility was not operational during the second quarter);

- a $7.7 million increase in revenue from REC sales compared to the same period of 2006, thanks to improved market conditions and to the Stratton power station's availability. These sales are largely attributable to the Stratton power station and, to a lesser extent, to the Chateaugay power station;

- an increase of approximately 8% in the average selling price per MWh for all of the Corporation's power stations, generating $3.4 million in additional revenue. This price increase is largely due to higher contractual selling prices at the Ashland and Fort Fairfield wood-residue power stations and to higher electricity selling prices in the U.S. market;

- the recording of FCM capacity premiums totalling $2.2 million; and

- the favourable impact of the euro's appreciation versus the Canadian dollar.

Other revenues

Boralex reported $9.1 million in revenues from sources other than energy sales for the first six months of 2007, compared to $11.8 million for the same period of 2006. In addition to the decrease in Boralex's share of the Fund's results for the second quarter, the $2.8 million or 23% decrease in other revenues is due to the fact that the Blendecques natural gas facility recorded revenues of $2.8 million from the sale of excess CO_2 emission allowances for the first half of 2006, whereas it had no quotas to sell in 2007. As previously mentioned, in 2006, the Blendecques facility sold in advance its expected excess CO_2 emission allowances for 2007.

EBITDA

Consolidated EBITDA totalled $31.4 million for the first six months of 2007, up 40% from the same period of 2006. This is attributable to the following favourable factors:

- robust REC sales, which contributed an additional $7.7 million to EBITDA;

- higher selling prices, which had a favourable impact of $3.4 million;

- the capacity premiums granted to the U.S. power stations, accounting for additional EBITDA of $2.2 million;

- increased production volumes at the wood-residue power stations and wind power sites, contributing $1.3 million to EBITDA;

- a $0.7 million decrease in maintenance and repair expenses; and

- a favourable impact of $0.9 million attributable to fluctuations in the Canadian dollar, primarily versus the euro.

In contrast, a number of factors had an unfavourable impact on EBITDA, in particular a $2.8 million shortfall on sales of excess CO2 emission allowances at the French natural gas facility, a $1.2 million decrease in the Corporation's share of the Fund's results and a $0.4 million net increase in raw materials costs for the entire period.

(A more detailed analysis of changes in segmented revenue and EBITDA is presented under *Segmented results for the three-month and six-month periods ended June 30, 2007.*)

Amortization, termination of hedging relationships, financial expenses and earnings before income taxes

The amortization expense totalled $11.3 million for first six months of 2007, compared to $9.6 million for the same period of 2006, primarily due to investments made in prior quarters, including wind power segment development in France and investments made in 2006 in wood-residue power stations aimed at improving availability and efficiency. In addition, some power stations use an amortization method based on their actual production, which was higher for first six months of 2007 than for the same period of 2006.

Financial expenses totalled $6.3 million for 2007, up from $5.7 million for 2006. This 11% increase is primarily due to investments made this year relating to the start-up of the new wind power site in Saint Agrève, France, in July 2007 and to various investments completed in 2006, which were financed through Boralex's revolving credit line.

The $5,874,000 gain relating to the termination of hedges is described in the preceding quarterly analysis.

Consequently, Boralex recorded $19.6 million in earnings before income taxes for 2007, up from $7.2 million for 2006.

Income tax expense (recovery)

For the first six months of 2007, Boralex's income tax expense totalled $4.9 million. The consolidated tax rate, which should normally be approximately 35%, was affected by the favourable adjustments made in the second quarters of 2006 and 2007, as described in the analysis of the consolidated quarterly results.

Net earnings

For the first six months of 2007, Boralex reported net earnings of $14.6 million or $0.47 per share (diluted earnings of $0.46 per share), compared to net earnings of $8.9 million or $0.30 per share par action (basic and diluted) for the same period of 2006. However, excluding non-recurring income tax adjustments of $1.8 million for 2007 and $2.7 million for 2006, and excluding the gain from the termination of hedges in 2007 ($4.0 million after income taxes), net earnings grew by 41%. In addition, the weighted average number of shares outstanding rose to 31.3 million for 2007, compared to 30 million for 2006, due to the issue of 7.4 million shares on June 7, 2007.

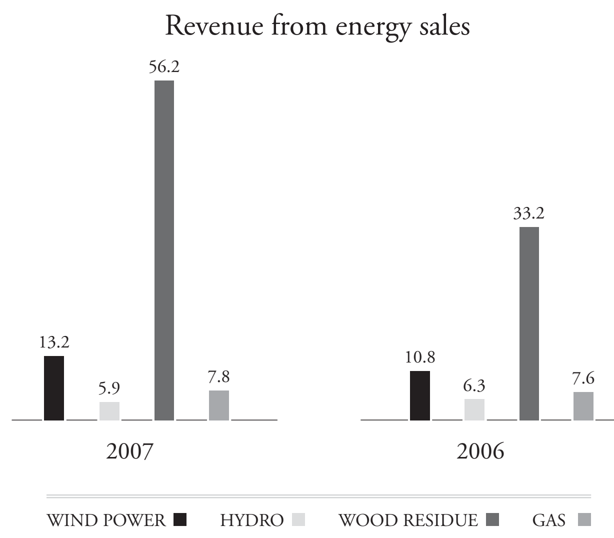
To summarize, excluding the income tax adjustments and the gain from the termination of hedges, Boralex posted significantly improved results for the first six months of 2007, including an approximately 44% increase in revenues from energy sales, a 40% increase in EBITDA and a 90% increase in earnings before income taxes. This fine performance is primarily attributable to the wood-residue and wind power segments, in particular:

- **higher prices in the REC market;**
- **improved power station availability;**
- **the impact of the optimization program undertaken in 2006;**
- **enhancements to sales contracts at certain power stations;**
- **higher selling prices; and**
- **the improved utilization factor in the wind power segment, thanks to better wind conditions.**

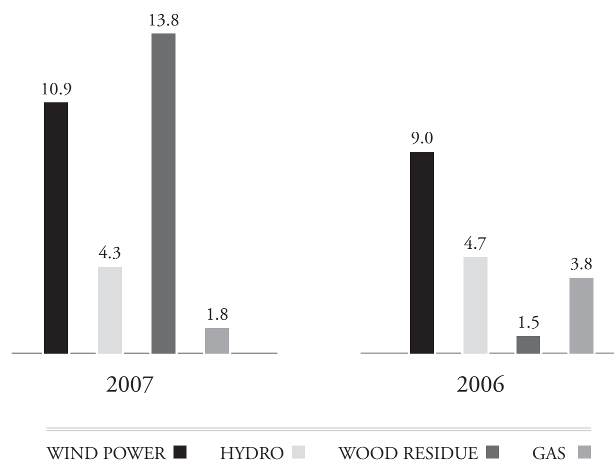
Segmented results for the three-month and six-month periods ended June 30, 2007

Distribution by segment

(cumulative results for the first six months of 2007)



For the first six months of 2007, the wood-residue segment's share of the consolidated revenues rose to 68% from 57% for the same period of 2006, thanks to increased production and higher selling prices at the wood-residue power stations and to higher prices in the REC market. This caused the wind power segment's share to decline slightly to 16% for the first six months of 2007 from 19% for the same period of 2006, despite this segment's revenue growth.



Thanks to improved profitability in the wood-residue segment, the segment recorded a markedly higher contribution to consolidated EBITDA (excluding *Corporate and Eliminations*), rising to 45% for the first six months of 2007 from 8% for the same period of 2006. Despite improved EBITDA in dollar terms, the wind power segment's percentage contribution dropped to 36% for the first six months of 2007 from 47% for the same period of 2006 due to the exceptional performance of the wood-residue segment.

Wind power sites

Analysis of major variances

(in millions of dollars)	Three-month period		Six-month period	
	Revenue from energy sales	EBITDA	Revenue from energy sales	EBITDA
June 30, 2006	5.2	4.5	10.8	9.0
Volume	(0.6)	(0.6)	1.4	1.4
Pricing	0.1	0.1	0.3	0.2
Translation of self-sustaining foreign operations	0.2	0.2	0.8	0.6
Other	-	(0.3)	(0.1)	(0.3)
June 30, 2007	4.9	3.9	13.2	10.9

For the three-month period ended June 30, 2007, the wind power segment posted revenues of $4.9 million, down from $5.2 million for the same quarter of 2006. This 6% decrease is attributable to an 11% decline in production volume to a total of 38,729 MWh for the second quarter 2007, compared to 43,430 MWh for the same period of 2006. This decline is due to weaker wind conditions than in 2006, with conditions less than expected at most of the sites. In addition, there were mechanical problems at the Cham de Cham Longe wind farm due to lightning strikes in the second half of June. Because of damage to some turbine blades, Boralex was forced to inspect all of the wind turbines, thus affecting site availability. However, the decline in production was offset in part by the favourable impact of the Canadian dollar's fluctuations versus the euro and by the indexing of selling prices for electricity. Quarterly EBITDA dropped by 13% from $4.5 million to $3.9 million, primarily due to the decline in production and, to a lesser extent, to higher site maintenance expenses.

For the six-month period ended June 30, 2007, the wind power segment posted revenues of $13.2 million, up from $10.8 million for the same period of last year. This 22% improvement is largely attributable to a 12% increase in production volume, which generated $1.4 million in additional revenue. Despite the second-quarter decline, cumulative production for the first six months of 2007 amounted to 100,705 MWh, up from 89,960 MWh for the same period of 2006, thanks to improved productivity at the Massif Central and Plouguin sites, which completed their running-in phase in 2006, and to less unfavourable icing conditions during the first quarter of 2007 than during the same period of 2006. In addition, revenue growth for the first six months of the year was driven by the $0.8 million positive impact attributable to currency fluctuations and to higher average selling prices. The same combination of factors helped boost six-month EBITDA in the segment by 21%, rising to $10.9 million for 2007 from $9.0 million for the same period of 2006.

It should be noted that development of the Saint Agrève site in the Ardèche region of France continued in the second quarter. This is Boralex's seventh wind farm in France and was brought into service at the beginning of the third quarter, i.e. on July 18, 2007, raising the total installed capacity of the Corporation's wind power segment to nearly 103 MW. The Saint Agrève site includes six wind farms with a capacity of 2.3 MW each. Initially designed with an installed capacity of 12 MW, the site has subsequently been optimized to bring its capacity to nearly 14 MW thanks to a new legislation in effect in France.

Hydroelectric power stations

Analysis of major variances

(in millions of dollars)	Three-month period		Six-month period	
	Revenue from energy sales	EBITDA	Revenue from energy sales	EBITDA
June 30, 2006	2.7	2.1	6.3	4.7
Volume	(0.4)	(0.4)	(1.0)	(1.0)
Pricing	0.4	0.4	0.4	0.4
Capacity premiums	0.2	0.2	0.3	0.3
Other	-	(0.1)	(0.1)	(0.1)
June 30, 2007	2.9	2.2	5.9	4.3

For the three-month period ended June 30, 2007 the hydroelectric power stations reported revenues of $2.9 million, up from $2.7 million for the same period of 2006. This 7% increase is attributable to higher selling prices for electricity in the northeastern U.S. market, as well as to FCM capacity premiums in Maine. The combination of these factors offset the decline in production recorded by the segment, which supplied 32,589 MWh for the second quarter of 2007, down from 37,027 MWh for the same quarter of 2006, due to significantly less favourable hydraulicity conditions compared to last year. Although water flows had been 6% higher than historical averages during the second quarter of 2006, they were 7% lower during the second quarter of 2007. Higher selling prices and capacity premiums also contributed to a slight improvement in EBITDA, which rose to $2.2 million from $2.1 million.

For the six-month period ended June 30, 2007, production in the hydroelectric segment declined by 15% to 66,170 MW from 77,790 MWh for the same period of 2006. For that same period of 2007, water flows were 3% lower than historical averages, compared to 14% higher for the same period of last year. This led to a $1.0 million shortfall, which was offset in part by the additional $0.7 million contribution attributable to higher selling prices and capacity premiums. Overall, the segment's cumulative revenue declined 6% by the end of the first six months to a total of $5.9 million, down from $6.3 million last year. For the same reasons, the segment's EBITDA fell from $4.7 million to $4.3 million, or a 9% decrease.

Wood-residue power stations

Analysis of major variances

(in millions of dollars)	Three-month period		Six-month period	
	Revenue from energy sales	EBITDA	Revenue from energy sales	EBITDA
June 30, 2006	11.0	(2.8)	33.2	1.5
Volume	5.1	0.4	7.9	0.9
Start-ups	-	(0.3)	1.9	(0.3)
Pricing	1.5	1.5	3.5	3.5
RECs	4.6	4.6	7.7	7.7
Capacity premiums	0.8	0.8	1.9	1.9
Translation of self-sustaining foreign operations	(0.2)	0.1	0.1	0.1
Income tax credits	-	(0.1)	-	0.1
Raw materials costs	-	(1.3)	-	(0.8)
Power station maintenance	-	0.5	-	1.0
Other	-	(1.2)	-	(1.8)
June 30, 2007	22.8	2.2	56.2	13.8

For the three-month period ended June 30, 2007, this segment reported revenues of $22.8 million, or more than double the $11.0 million recorded for the same period of 2006. This growth is attributable to the following factors:

- A 47% increase in production volume at the five operational power stations, which generated a total of 255,503 MWh, up from 174,378 MWh for the same period of 2006. This also translated into $5.1 million in additional revenues. The increase in production volume is explained in part by the fact that the Stratton power station was shut down for 75 days during the second quarter of 2006 due to maintenance work and various mechanical problems. In addition, the Livermore Falls power station was shut down for 10 fewer days this year than last year for periodic maintenance. Furthermore, the Ashland power station boosted its production after restrictions in its previous sales contract were lifted. It should be noted that the Sherman power station was not operational during the second quarter and is the ongoing focus of strategic analyses aimed at determining whether the facility can be started up again. For the time being, market conditions are not favourable due to the scarcity of raw materials and to prices in the open electricity market. The other power stations had good availability, although they operated at a lower production rhythm due to the temporary scarcity of wood residue.

- The recording of $4.6 million in REC sales, primarily by the Stratton power station and in part by the Chateaugay station. No REC sales were recorded for the second quarter of 2006 due to the extended shutdown of the Stratton power station. In the second quarter of 2007, the Stratton power station sold all of the remaining RECs for its 2006 production and sold its entire 2007 production in advance, together with a portion of its expected production for 2008, 2009 and 2010. As at June 30, 2007, Boralex had firm sales commitments representing over $37 million (US$35 million) in REC deliveries between July 1, 2007 and December 31, 2010. It should also be noted that robust demand for RECs in the Connecticut market is leading to stronger selling prices.

- A 10% increase in average selling prices (in US$) at the power stations, which generated $1.5 million in additional revenue, thanks in part to the contractual price increase at the Fort Fairfield and Ashland power stations and in part to higher prices in the open market, which were up approximately 15% for the second quarter of 2007 compared to the same period of 2006. Since the beginning of the year, prices are up 9% compared to the same period of 2006. Management expects this trend to continue over the next 12 months.

- The receipt of capacity premiums totalling $0.8 million since the Forward Capacity Market came into effect at the end of last year. The FCM pays recurring royalties to energy producers, particularly in the wood-residue segment, who agree to maintain their existing capacity.

The wood-residue segment generated EBITDA of $2.2 million, compared to an operating loss of $2.8 million for the same quarter of 2006. In addition to the production volume increase, this $5.0 million improvement is primarily due to the sale of RECs, higher selling prices and the receipt of capacity premiums, since these additional revenues are fully reflected in EBITDA.

In contrast, the wood-residue segment reported a $1.3 million increase in raw materials costs. In addition to the seasonal scarcity that normally characterizes this period of the year, the high production level of Boralex's power stations in the first quarter of 2007 led to a significant drop in raw materials inventories. Moreover, Boralex uses higher-quality (and thus more expensive) wood residue, primarily due to its strategy of optimizing production at its power stations. Despite the higher supply costs involved, this strategy has enabled Boralex to improve the power stations' average combustion rate by 5%. Management is of the opinion that the raw materials costs affecting the market in the second quarter are not necessarily indicative of future costs, although it expects them to remain relatively high in the coming quarters due to the limited supply of certain materials, high transportation costs stemming from higher petroleum prices and a growing focus on virgin forest residues.

Lastly, the wood-residue segment incurred certain additional expenses for the second quarter of 2007. For example, Boralex carried out tests at the Ashland and Livermore Falls power stations aimed at potentially reducing atmospheric pollutant emissions so that certain power stations may eventually qualify for REC sales.

For the six-month period ended June 30, 2007, the wood-residue power stations reported revenues totalling $56.2 million, up 69% from the $33.2 million recorded for the same period of 2006. In production terms, the six power stations (including the Sherman facility, which was operational during the first quarter only) generated a total of 596,883 MWh for the first six months of 2007, compared to 458,795 MWh for the same period of 2006, or an increase of more than 30%. The production volume increase, which generated $9.8 million in additional revenues, is attributable to greater availability and more operating days at the power stations, as discussed in the preceding section, as well as to the start-up of the Sherman power station in December 2006. This facility was operational for two months during the first quarter and is currently closed for an indeterminate period due to unfavourable prevailing market conditions. Revenue growth in the segment is also attributable to a $7.7 million increase in REC sales, including $6.7 million by the Stratton power station and $1.0 million by the newly certified Chateaugay power station, as well as to higher selling prices, which generated $3.5 million in additional revenues, and to the $1.9 million in capacity premiums collected since the beginning

of the year relating to the introduction of the new Forward Capacity Market in the New England network (these premiums did not exist in 2006).

The combination of REC sales, higher selling prices and capacity premiums and the production volume increase also explains the marked improvement in EBITDA during the period, rising to $13.8 million for the first six months of 2007 from $1.5 million for the same period of 2006. Consequently, these factors largely offset the $0.8 million net increase in raw materials costs since the beginning of the year and the increase in certain other expenses.

Natural gas cogeneration power station

Analysis of major variances

	Three-month period		Six-month period	
(in millions of dollars)	Revenue from energy sales	EBITDA	Revenue from energy sales	EBITDA
June 30, 2006	1.9	0.3	7.6	3.8
Volume	0.1	-	0.3	-
Pricing	(0.2)	(0.2)	(0.6)	(0.6)
CO_2 quotas	-	(0.7)	-	(2.8)
Translation of self-sustaining foreign operations	-	-	0.6	0.1
Natural gas costs	-	0.1	-	0.3
Other	(0.1)	0.2	(0.1)	1.0
June 30, 2007	1.7	(0.3)	7.8	1.8

For the three-month period ended June 30, 2007, revenue from energy sales at the Blendecques natural gas power station in France totalled $1.7 million, down 11% from the $1.9 million in revenue recorded for the same period of 2006. This decrease is primarily due to lower steam prices. This power station reported an operating loss of $0.3 million, compared to positive EBITDA of $0.3 million for the same period of the previous year. Although this $0.6 million unfavourable variance is explained in part by the lower selling price for steam, it is primarily due to the fact that the power station has not sold any excess CO_2 emission allowances so far this year, compared to the $0.7 million sold for the second quarter of 2006.

For the six-month period ended June 30, 2007, revenue from energy sales at the natural gas power station totalled $7.8 million, up 3% from the $7.6 million recorded for the same period of 2006. In addition to a $0.3 million increase in revenue due to a higher volume of steam sales, this increase is explained by the favourable impact over the entire period of the euro's appreciation versus the Canadian dollar. This led to increased revenues of $0.6 million, thereby offsetting the lower selling price for steam, which is partly indexed to the price of natural gas in France. However, EBITDA for this power station declined by $2.0 million to $1.8 million for the first six months of 2007, due to $2.8 million in sales of excess CO_2 emission allowances for the first quarter of 2006, whereas it had no quotas to sell in 2007.

Since natural gas costs are still high and management expects them to remain high in the coming months, the cogeneration equipment will be shut down again from April to October 2007. The client will continue to be supplied with steam from the auxiliary boiler. This decision will be reviewed if natural gas prices drop significantly and if the plant's operating profit margin becomes largely positive.

Important cash flows for the three-month and six-month periods ended June 30, 2007

Operating activities

For the second quarter of 2007, Boralex's cash flows related to operating activities before the net change in non-cash working capital items ("cash flows from operations") rose to $6.7 million from $1.9 million for the same quarter of 2006. This increase stems largely from improved profitability at the wood-residue power stations and from the receipt of revenue under the monetization program implemented in December 2006. After the change in non-cash working capital items, operating activities generated net cash flows of $10.1 million for the second quarter of 2007, up from $6.1 million for the same period of 2006.

For the six-month period ended June 30, 2007, cash flows from operations totalled $26.8 million, compared to $13.3 million for the same period of 2006, thanks to improved profitability at the wind power sites and wood-residue power stations, as well as to the revenue received under the monetization program. After the change in non-cash working capital items, operating activities generated net cash flows of $23.0 million for the first six months of 2007, up from $9.7 million for the same period of 2006.

Investing activities

During the second quarter of 2007, Boralex invested $11.7 million in fixed assets (compared to $7.9 million last year), primarily to finalize construction of the wind power site in Saint Agrève, France ($10.5 million), and to acquire additional equipment in the wood-residue segment. The Corporation released $6.2 million in reserves to service the debt following the refinancing in France (described below). In addition, the Corporation continued with its wood-grinding equipment purchase program aimed at ensuring a growing portion of its wood-residue supplies.

Since the beginning of fiscal 2007, Boralex has invested $12.2 million in new fixed assets, compared to $16.0 million last year. Most of the investments in the comparative periods were aimed at developing the wind power segment in France, in particular by purchasing fixed assets for the Saint Agrève site and by setting aside the reserve amounts required under the Massif Central financing agreement.

Financing activities

The second quarter of 2007 was marked by two major developments: a public share issue and a major refinancing in France. On June 7, 2007, the Corporation completed the public issue of 7,333,334 Class A shares for gross proceeds of $110.0 million, including the over-allotment option exercised by the underwriters. Overall, the share issue generated net proceeds of $105.0 million, which was used to temporarily reduce the amounts borrowed on Boralex Inc.'s revolving credit line by $52.7 million. The balance of the proceeds was temporarily allocated to investments with very high credit ratings offering maximum liquidity.

This capital contribution significantly strengthens Boralex's balance sheet and will enable the Corporation to consider a number of expansion projects that could increase its installed capacity to between 500 MW and 700 MW over the next five years. For example, on July 9, 2007, the Corporation announced that it had signed a memorandum of agreement with a private developer of renewable energy projects based in Ontario, Canada, to acquire the rights to a portfolio of sites totalling 90 MW and thus to build nine wind farms with a capacity of 10 MW each in the Windsor region, near Lake Érié in southern Ontario. Each of the wind farms has entered into a 20-year electricity sales contract with the Ontario Power Authority, which will purchase their entire production under the Renewable Energy Standard Offer Program. This will enable Boralex to obtain an advantageous rate for its wind power production. The acquisition of these projects and the beginning of construction work are subject to the fulfillment of certain precedent conditions. Boralex aims to start and operate its first wind power sites in Canada in 2008. Once all of these projects have been completed, they will almost double the Corporation's total capacity in the wind power segment. These projects thus perfectly aligned with Boralex's market segment and geographical diversification strategy.

On June 25, 2007, Boralex completed the refinancing of a number of its French credit agreements by means of a new master financing agreement in the amount of €265 million (approximately $380 million), which will be used to develop the Corporation's wind power projects in France until 2010. As with the former financing arrangement, the new master agreement, which is broader in both scope and duration, is insured by BNP Paribas S.A. as arranger, issuing bank and agent. In addition to repaying existing financing for the Ally, Cham de Cham Longe, Plouguin and Saint Agrève sites for a total of approximately $130 million as at the transaction date, the master agreement provides Boralex with greater flexibility as regards funds availability in France and ensures that the Corporation will benefit from more advantageous financial conditions, taking into account the accumulated experience of its wind farms. In addition, the consolidation of the Ally, Cham Longe, Plouguin and Saint Agrève sites, thanks to increased diversification in the project portfolio, has made it possible to reduce the reserves required for debt servicing and thus to reduce to size of the bridging loan issued in conjunction with the construction of the Ally and Cham Longe sites. The funds thus released were used to partially repay the bridging loan issued in conjunction with the construction of the Ally and Cham Longe sites. In addition, since this bridging loan was secured by a letter of credit drawn on the Canadian credit facility, the Corporation increased its borrowing capacity by approximately $14 million. The costs relating to these transactions totalled approximately $1.9 million (€1.3 million).

No significant financing activities were carried out during the first quarter of 2007.

To summarize, total cash flows for the first six months of 2007, net of the translation adjustment on cash and cash equivalents, increased cash by $70.6 million, from $13.9 million as at December 31, 2006 to $84.5 million as at June 30, 2007.

Financial position as at June 30, 2007

General comments

As described in note 2 to the interim financial statements accompanying this management discussion and analysis, the balance sheet as at December 31, 2006 was restated to reflect the amortization method change for the natural gas power station and two of the French wind power sites.

The changes in Boralex's financial position between December 31, 2006 and June 30, 2007 primarily reflect the share issue in June 2007, whose net proceeds were used to temporarily reduce the long-term debt and to increase cash reserves pending the financing of future expansion projects.

Assets

As at June 30, 2007, total assets amounted to $518.8 million, up from $476.0 million as at December 31, 2006. This $42.8 million increase is primarily due to the increase in cash and cash equivalents stemming from a portion of the net proceeds of the share issue.

Working capital

As at June 30, 2007, Boralex posted a working capital surplus of $70.3 million, compared to a $14.6 million deficit as at December 31, 2006. In addition to the proceeds from the share issue, the improvement in working capital compared to December 31, 2006 is also due to the partial repayment of the bridging loan following the refinancing of the wind power segment in France, as described in the previous section.

Total debt and shareholders' equity

As at June 30, 2007, the Corporation's total debt amounted to $177.9 million, down $56.4 million or 24% from $234.3 million as at December 31, 2006. Excluding cash and cash equivalents, the total net debt was reduced by $127.0 million or 58% from $220.4 million as at December 31, 2006 to $93.4 million as at June 30, 2007 thanks primarily to the share issue and the French refinancing. In addition, the share issue was the key factor in the growth of shareholders' equity of $106.7 million or 59% from December 31, 2006 to June 30, 2007, for a total of $288.7 million at the end of the second quarter. Consequently, the coefficient of total net debt to invested capital (total net debt plus shareholders' equity) fell from 55% as at December 31, 2006 to 24% as at June 30, 2007. In addition, given Boralex's share price, which was $15.27 as at June 30, 2007, the total debt to market capitalization ratio was 31% as at June 30, 2007, compared to 75% as at December 31, 2006, when the share price was $10.40.

After the upcoming final drawings for the Saint Agrève project, the Corporation will have an unused balance of approximately €170 million from the €265 million master credit agreement, which gives Boralex considerable latitude to initiate new wind power projects before 2010.

Concerning the US financing wich will expire July 31, 2007 with a balance payable of $4.1 million (US$3.9 million) as at June 30, 2007, the Corporation is presently renewing the credit agreement for a period of three years under similar terms. The lender gave his approval subject to the finalization of the documentation.

It should be noted that following the adoption of the recommendations set out in the Canadian Institute of Chatered Accountants ("CICA") Handbook Section 3855, the Corporation reclassified its deferred financial expenses against its long-term debt, for a total of $5.0 million.

Outlook

Management is confident about Boralex's performance for 2007 since the Corporation will continue to benefit from the main positive factors that have enhanced its performance in 2007, in particular:

- the robust REC market in Connecticut;
- higher electricity prices in the U.S. open market;
- the impact of investments in the past two years to expand the wind power segment and continually improve the efficiency of the wood-residue power stations; and
- access to new revenue and profit streams such as the Forward Capacity Market.

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

Furthermore, Boralex's seventh wind farm in France, with an installed capacity of 14 MW, will begin contributing to the Corporation's results as of the third quarter of 2007. In the longer term, Boralex is getting ready to establish a foothold in the Canadian wind power market via a project to acquire nine wind farms in Ontario totalling 90 MW, which the Corporation aims to bring into service beginning in 2008. In addition, the Corporation and its partners are studying the wind power potential of the Séminaire de Québec lands. Wind measurement data to date are promising and management continues to believe that this site will give it an exceptional competitive edge for participating in, among other things, the call for proposals for 2,000 MW issued by Hydro-Québec, with the submission of tenders scheduled for mid-September 2007.

The hydroelectric power stations reported good hydrological conditions in the first quarter of 2007, although they were less than historical averages in the second quarter and in July. Management typically uses historical production averages for financial forecasting purposes.

Due to the high cost of natural gas and the potential application of the ceiling on electricity prices, management has decided not to operate the Blendecques natural gas facility's cogeneration equipment between April and November 2007. The client's steam requirements will be met by the auxiliary boiler, as was the case in 2005 and 2006.

As a result, due to stronger prices in the REC market, the improved performance of the wood-residue segment and expansion in the wind power segment, management anticipates growth in revenues, earnings and cash flow from operations for 2007, which should allow it to provide

for its normal cash requirements. In addition, the recent share issue and the new master financing agreement in France have significantly strengthened the Corporation's financial position and will allow it to pursue current and future expansion projects. In the short term, Boralex does not plan to pay dividends on its Class A shares, in keeping with its policy to reserve its cash assets for growth projects.

Boralex's outlook is also positive in the longer term, given the quality and diversification of its assets and its skills and experience in the generation of green and renewable power. This reflects a growing worldwide trend, especially since the sharp rise in fossil fuel prices and environmental pressures have been increasing the economic and social benefits of alternative modes of energy production. In general, Boralex will continue to prudently capitalize on opportunities that arise in its fields of expertise, while paying close attention to new technologies and to the responsible management of its operating costs and business risks. Although the main segments in question are wind power and hydroelectricity, Boralex will continue to explore a variety of opportunities in the renewable energy field.

Capital stock information

As at June 30, 2007, following the issue of a total of 7,333,334 new shares, Boralex's capital stock consisted of 37,454,625 Class A shares issued and outstanding, up from 30,049,586 as at December 31, 2006. A total of 71,705 stock options have been exercised since the beginning of 2007. The number of stock options outstanding as at August 7, 2007 was 1,256,146, of which 671,260 are exercisable.

Financial instruments

There has been no significant change in the Corporation's risk management strategy since December 31, 2006.

Market risk

As at June 30, 2007, Boralex had seven electricity-related financial swaps for periods of three to 21 months for total deliveries of 275,640 MWh. The fair value of these contracts exceeds their book value by $759,000 (US$714,000).

Interest rate risk

As at June 30, 2007, Boralex had entered into interest rate swaps to hedge its floating-rate debt in France. The total notional amount of the swaps in effect at that date was $130,420,000 (€90,720,000). The fair value of these instruments exceeds their book value by $5,942,000 (€4,134,000).

As a result of the refinancing completed on June 25, 2007, the Corporation was required to terminate hedge accounting for certain interest rate swaps that were eligible for an effectiveness testing exemption due to their terms, which were essentially identical to the hedged item. These swaps will be redesignated as hedges of the debt if it can be mathematically proved that the swaps are highly effective. The fair value of these instruments was $5,874,000 (€4,085,000).

Related party transactions

In addition to holding 23.3% of the Fund's trust units, the Corporation, through one of its wholly owned subsidiaries, is linked to the Fund under long-term management and administration contracts. For the six-month period ended June 30, 2007, these agreements generated 3% of Boralex's total revenue (4% for the same period of 2006), while its share of the Fund's results was 5% (8% for the same period of 2006). Boralex received distributions from the Fund totalling $6.2 million for the first six months of 2007 ($6.2 million for the same period of 2006).

One of Boralex's power stations in France supplies steam to Norampac Inc., a subsidiary of Cascades Canada Inc. The latter has significant influence over Boralex since it holds 34% of its share capital. For the first six months of 2007, revenue from Norampac rose to $4.3 million ($4.2 million for the same period of 2006).

The Corporation has also entered into a management agreement for a power station controlled by one of its directors and officers. For the six-month period ended June 30, 2007, revenue from this agreement amounted to $0.2 million ($0.2 million for the same period of 2006).

Change in accounting policy and new accounting policies adopted in 2007

Amortization

In the first quarter of 2007, the Corporation modified the amortization method it uses for its natural gas cogeneration power station and two wind power sites. These sites, which were the Corporation's first investments in these segments in France, were formerly amortized based on the duration of their power sales contracts. Following a technical analysis of these facilities, it was determined that an amortization method based on the useful life of the various components would better match the future benefits related to these assets. The fixed assets of these segments were therefore separated into their major components and amortized on a straight-line basis according to their expected useful lives, ranging from 5 to 20 years. This change in accounting policy was applied retroactively with restatement of prior years.

The impact of these changes on prior financial statements is as follows:

	As at December 31, 2006		
	(as reported)	Amortization	(restated)
Balance sheet			
Property, plant and equipment	282,489	(2,353)	280,136
Future income tax liabilities	21,564	(784)	20,780
Retained earnings	99,208	(1,559)	97,649
Cumulative translation adjustments	(28,057)	(10)	(28,067)

	For the three-month period ended June 30, 2006		
	(as reported)	Amortization	(restated)
Statement of earnings			
Amortization	4,741	109	4,850
Income tax recovery	(4,278)	(37)	(4,315)
Net earnings	1,483	(72)	1,411
Net earnings per class A share (basic and diluted) (in dollars)	0.05	-	0.05

	For the six-month period ended June 30, 2006		
	(as reported)	Amortization	(restated)
Statement of earnings			
Amortization	9,361	221	9,582
Income tax recovery	(1,778)	(74)	(1,852)
Net earnings	9,092	(147)	8,945
Net earnings per class A share (basic and diluted) (in dollars)	0.30	-	0.30

These restatements had no impact on cash flows from operating, investing or financing activities.

Comprehensive income, equity, financial instruments and hedges

On January 1, 2007, Boralex adopted the new recommendations under CICA Handbook Section 1530 "Comprehensive Income," Section 3251 "Equity," Section 3855 "Financial Instruments – Recognition and Measurement" and Section 3865 "Hedges." These new standards will be applied retroactively with no restatement of prior-period financial statements.

Section 1530 "Comprehensive Income" sets standards for the disclosure and presentation of comprehensive income and its components. Comprehensive income is the change in the shareholders' equity of a company arising from transactions, events and circumstances not related to shareholders. These transactions and events include changes in the currency translation adjustment relating to self-sustaining foreign operations and unrealized gains and losses resulting from changes in fair value of certain financial instruments.

Section 3251 "Equity" describes the standards for presenting equity and changes in equity. Due to the adoption of Section 3251 and Section 1530 described above, the Corporation now includes information on comprehensive income and its components in shareholders' equity. On January 1, 2007, an amount of $28,067,000 previously recorded as *Cumulative translation adjustments* was reclassified as *Accumulated other comprehensive income*.

Section 3855 "Financial Instruments - Recognition and Measurement" establishes standards for recognizing and measuring financial assets, financial liabilities and derivatives. These standards prescribe when to recognize a financial instrument in the balance sheet and at what amount. They also prescribe the basis of presentation for gains and losses on financial instruments in the consolidated financial statements.

The Corporation has made the following classifications:

- Cash and cash equivalents and CO_2 quotas are classified as assets held for trading and are measured at fair value. The gains or losses resulting from periodic subsequent measurements are recognized in net income.

- Accounts receivable are classified as loans and receivables. They are recorded at cost, which upon their initial measurement is equal to their fair value. Subsequent measurements are recorded at amortized cost using the effective interest method.

- Reserve funds, other deposits held in trust and other investments are classified as assets available for sale and are measured at fair value. Gains and losses resulting from periodic subsequent measurement are recognized in comprehensive income.

- Accounts payable and accrued liabilities, as well as long-term debt, are classified as other financial liabilities and are initially recorded at fair value. Subsequent measurements are recorded at amortized cost using the effective interest method.

Section 3855 also provides guidelines for the recognition of transaction costs incurred on the issuance of debt instruments. Transaction costs are now deducted from financial liabilities and are amortized using the effective interest method over the expected life of the liability in question. Following the application of Section 3855, non-amortized financial expenses of $3,011,000 as at January 1, 2007, which were previously recognized in *Other long-term assets,* were reclassified as *Long-term debt*.

The Corporation chose January 1, 2003 as the transition date for embedded financial instruments.

Section 3865 "Hedges" specifies the manner in which hedge accounting is applied. In accordance with its risk management strategy, the Corporation decided to continue to apply hedge accounting for its interest rate swaps and electricity-related financial swaps utilized to hedge its cash flows. These derivatives are recognized at their fair value, while the gains and losses resulting from their periodic subsequent measurement are recognized in comprehensive income, to the extent that the hedging is deemed effective.

As at January 1, 2007, the application of these new standards resulted in a $3,585,000 decrease in accumulated other comprehensive income, a $5,272,000 increase in derivatives recognized in assets and a $1,687,000 increase in future income tax liabilities. The application of these new standards had no impact on the Corporation's cash flows.

Risks and uncertainties

The Corporation has not observed any material changes with respect to the risks and uncertainties to which it is subject, which are described under *Risks and uncertainties* in the management discussion and analysis contained in the annual report for the year ended December 31, 2006.

Controls and procedures

In accordance with National Instrument 52-109 issued by the Canadian Securities Administrators, the Corporation provided certifications signed by the President and Chief Executive Officer and the Vice-President and Chief Financial Officer which, among other things, evaluate financial reporting design and procedures, as well as internal financial reporting controls.

Management has established and maintains financial reporting controls and procedures for the Fund in order to provide reasonable assurance that it receives important Fund-related information on a timely basis. Management, including the President and Chief Executive Officer and the Vice-President and Chief Financial Officer, carried out an assessment to determine whether any changes were made to internal financial reporting controls during the first six months of 2007. Management has no knowledge of any material changes to these controls and procedures.

Additional information

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

Consolidated Financial Statements

Notice to shareholders

These quarterly financial statements for the periods ended June 30, 2007 and 2006 were not reviewed by our auditors PricewaterhouseCoopers LLP. The financial statements are the responsability of the Management of Boralex Inc. They were reviewed and approved by its Board of Directors, as recommended by its Audit Committee.

Consolidated balance sheets

(in thousands of dollars) (unaudited)	NOTE	As at June 30, 2007	As at December 31, 2006
			(restated - note 2)
ASSETS			
Current assets			
Cash and cash equivalents		**84,493**	13,899
Accounts receivable		**26,686**	26,964
Inventories		**5,119**	5,342
Prepaids		**2,115**	2,776
		118,413	48,981
Investment		**71,929**	75,553
Property, plant and equipment	2	**266,343**	280,136
Electricity sale contracts		**19,142**	20,631
Future income taxes		**1,481**	6,249
Other assets	6	**41,534**	44,480
		518,842	476,030
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		**18,023**	20,005
Income taxes		**-**	1,786
Current portion of long-term debt	7	**30,080**	41,835
		48,103	63,626
Long-term debt	2, 7	**147,770**	192,493
Future income taxes	2	**20,071**	20,780
Deferred revenue	9	**13,025**	16,368
Fair value of derivatives		**442**	-
Non-controlling interests		**780**	730
		230,191	293,997
SHAREHOLDERS' EQUITY			
Capital stock		**223,128**	112,451
Retained earnings		**108,857**	97,649
Accumulated other comprehensive income	2, 8	**(43,334)**	(28,067)
		288,651	182,033
		518,842	476,030

See accompanying notes

Consolidated statements of earnings

(in thousands of dollars, except per-share amounts and number of shares) (unaudited)	Note	For the three-month periods ended June 30 2007	2006	For the six-month periods ended June 30 2007	2006
			(restated - note 2)		(restated - note 2)
Revenue from energy sales		**32,354**	20,819	**83,156**	57,920
Renewable energy tax credits	9	**2,174**	2,268	**5,290**	5,223
Operating costs		**26,844**	19,283	**58,057**	45,941
		7,684	3,804	**30,389**	17,202
Share in earnings of the Fund		**1,181**	2,199	**4,659**	5,784
Management revenue from the Fund		**1,376**	1,355	**2,781**	2,711
Other revenue		**106**	880	**1,626**	3,321
		10,347	8,238	**39,455**	29,018
Other expenses					
Management and operation of the Fund		**1,152**	1,095	**2,313**	2,118
Administration costs		**2,979**	2,234	**5,768**	4,410
		4,131	3,329	**8,081**	6,528
Earnings before amortization		**6,216**	4,909	**31,374**	22,490
Amortization	2	**4,842**	4,850	**11,327**	9,582
Termination of hedging relationships	10	**(5,874)**	-	**(5,874)**	-
Financial expenses		**2,920**	2,897	**6,326**	5,678
		1,888	7,747	**11,779**	15,260
Earnings (loss)before income taxes		**4,328**	(2,838)	**19,595**	7,230
Income tax expense (recovery)	2	**(507)**	(4,315)	**4,926**	(1,852)
		4,835	1,477	**14,669**	9,082
Non-controlling interests		**3**	(66)	**(54)**	(137)
Net earnings		**4,838**	1,411	**14,615**	8,945
Net earnings per class A share (basic) (in dollars)		**0.15**	0.05	**0.47**	0.30
Net earnings per class A share (diluted) (in dollars)		**0.15**	0.05	**0.46**	0.30
Weighted average number of class A shares outstanding (basic)		**32,526,623**	30,038,064	**31,300,863**	30,017,924

Consolidated statements of retained earnings

(in thousands of dollars) (unaudited)	Note	For the six-month periods ended June 30 2007	2006
			(restated - note 2)
Balance - beginning of period, as previously reported		**99,208**	84,188
Modification of accounting policy	2	**(1,559)**	(1,260)
Balance - beginning of period, restated		**97,649**	82,928
Share issue costs, net of related income taxes		**(3,407)**	-
Net earnings for the period		**14,615**	8,945
Balance - end of period		**108,857**	91,873

Consolidated Statement of Comprehensive Income

(in thousands of dollars) (unaudited)	Note	For the three-month periods ended June 30 2007	2006	For the six-month periods ended June 30 2007	2006
Net earnings for the period		**4,838**	1,411	**14,615**	8,945
Other components of comprehensive income:					
Translation adjustments					
Non-realized exchange losses on translation of the financial statements of self-sustaining foreign operations		**(12,882)**	(5,801)	**(14,410)**	(5,106)
Share of cumulative translation adjustments of the Fund		**(1,658)**	(782)	**(1,419)**	(840)
Cash flow hedges					
Change in fair value of derivatives		**3,938**	-	**2,553**	-
Realized hedging items reclassified to net earnings		**(413)**	-	**(1,124)**	-
Termination of hedging relationships	10	**(5,874)**	-	**(5,874)**	-
Income tax expense		**749**	-	**1,422**	-
		(16,140)	(6,583)	**(18,852)**	(5,946)
Comprehensive income		**(11,302)**	(5,172)	**(4,237)**	2,999

See accompanying notes

Consolidated statements of cash flows

(in thousands of dollars) (unaudited)	Note	For the three-month periods ended June 30 2007	2006	For the six-month periods ended June 30 2007	2006
			(restated - note 2)		(restated - note 2)
Operating activities					
Net earnings		**4,838**	1,411	**14,615**	8,945
Distributions received from the Fund		**3,098**	3,098	**6,196**	6,196
Adjustment for non-cash items					
Share in earnings of the Fund		**(1,181)**	(2,199)	**(4,659)**	(5,784)
Amortization		**4,842**	4,850	**11,327**	9,582
Amortization of deferred financing costs		**195**	127	**340**	271
Renewable energy tax credits		**(953)**	(2,268)	**(2,283)**	(5,223)
Future income taxes		**939**	(3,281)	**5,957**	(1,138)
Termination of hedging relationships	10	**(5,874)**	-	**(5,874)**	-
Other		**784**	207	**1,161**	419
		6,688	1,945	**26,780**	13,268
Net change in non-cash working capital balances		**3,406**	4,150	**(3,789)**	(3,568)
		10,094	6,095	**22,991**	9,700
Investing activities					
Purchase of minority interests		**-**	(997)	**-**	(997)
Purchase of property, plant and equipment		**(11,693)**	(7,856)	**(12,192)**	(16,006)
Change in restricted funds held for the debt service		**6,236**	(1,055)	**6,215**	(5,980)
Other		**(2,096)**	(711)	**(3,217)**	(1,227)
		(7,553)	(10,619)	**(9,194)**	(24,210)
Financing activities					
Bank loans and advances		**-**	-	**-**	(42,012)
Increase in long-term debt		**148,908**	3,665	**151,437**	63,561
Payments of long-term debt		**(193,219)**	(4,726)	**(195,559)**	(6,793)
Financing costs		**(1,861)**	(564)	**(1,866)**	(1,281)
Net proceeds on share issuance		**105,180**	190	**105,307**	274
Fees related to the monetization program		**(240)**	-	**(494)**	-
		58,768	(1,435)	**58,825**	13,749
Translation adjustments on cash and cash equivalents		**(1,932)**	(72)	**(2,028)**	341
Net change in cash and cash equivalents		**59,377**	(6,031)	**70,594**	(420)
Cash and cash equivalents - beginning of period		**25,116**	16,226	**13,899**	10,615
Cash and cash equivalents - end of period		**84,493**	10,195	**84,493**	10,195
SUPPLEMENTAL DISCLOSURE					
Cash and cash equivalents paid for:					
Interests		**2,694**	3,037	**6,003**	5,410
Income taxes		**7**	310	**642**	644

See accompanying notes

Notes to interim consolidated financial statements

(tabular amounts in thousands of dollars, unless otherwise specified) (unaudited)

Note 1.
Accounting policies

These unaudited interim consolidated financial statements were prepared in accordance with the same accounting policies as the ones used in the latest audited consolidated financial statements, except for the new policies described in note 2. These unaudited interim consolidated financial statements and notes should be read in conjunction with the Boralex inc. ("Boralex or the " Corporation") audited consolidated financial statements as at December 31, 2006.

Note 2.
Change in accounting policy and new accounting policies adopted in 2007

Amortization

In the first quarter of 2007, the Corporation modified the amortization method it uses for its natural gas cogeneration power station and two wind power sites. These sites, which were the Corporation's first investments in these areas in France, were amortized based on the duration of their power sales contracts. Following a technical analysis of these facilities, it was determined that an amortization method based on the useful life of the various components would better reflect the consumption of future benefits related to these assets. The fixed assets of these units were therefore separated into their major components and amortized on a straight-line basis according to their expected useful lives, which range from five to 20 years. This change in accounting policy was applied retroactively, with restatement of prior years.

The impact of these changes on previously reported financial statements is as follows:

	As at December 31, 2006		
	(as previously reported)	Amortization	(restated)
Balance sheet			
Property, plant and equipment	282,489	(2,353)	280,136
Future income taxes liabilities	21,564	(784)	20,780
Retained earnings	99,208	(1,559)	97,649
Cumulative translation adjustments	(28,057)	(10)	(28,067)

	For the three-month period ended June 30, 2006		
	(as previously reported)	Amortization	(restated)
Statement of earnings			
Amortization	4,741	109	4,850
Income tax recovery	(4,278)	(37)	(4,315)
Net earnings	1,483	(72)	1,411
Net earnings per class A share (basic and diluted) (in dollars)	0.05	-	0.05

	For the six-month period ended June 30, 2006		
	(as previously reported)	Amortization	(restated)
Statement of earnings			
Amortization	9,361	221	9,582
Income tax recovery	(1,778)	(74)	(1,852)
Net earnings	9,092	(147)	8,945
Net earnings per class A share (basic and diluted) (in dollars)	0.30	-	0.30

The restatements had no impact on cash flows related to operating, investing and financing activities.

Comprehensive income, Equity, Financial instruments and Hedges

On January 1, 2007, Boralex adopted the new recommendations of Section 1530 "Comprehensive Income", of Section 3251 "Equity", of Section 3855 "Financial Instruments – Recognition and Measurement", and Section 3865 "Hedges", from the handbook of the Canadian Institute of Chartered Accountants ("CICA"). The retroactive application of the new standards does not require restatement of prior periods.

Note 2. Change in accounting policy and new accounting policies adopted in 2007 (cont'd)

Section 1530 "Comprehensive Income" describes standards for disclosing and presenting comprehensive income and its components. Comprehensive income is the change in a company's net assets which results from transactions and events from sources not related to a company's shareholders. These transactions and events include changes in the currency translation adjustment relating to self-sustaining foreign operations and unrealized gains and losses resulting from changes in fair value of certain financial instruments.

Section 3251 "Equity" describes the standards for presenting equity and changes in equity. Due to the adoption of Section 3251 and Section 1530 described above, Boralex's financial statements now include information on comprehensive income and its components. On January 1st, 2007, an amount of $28,067,000, previously recorded as *Cumulative translation adjustments*, was reclassified in *Accumulated oher comprehensive income*.

Section 3855 "Financial Instruments – Recognition and Measurement " establishes standards for recognizing and measuring financial assets, financial liabilities and derivatives. This standard prescribes when to recognize a financial instrument in the balance sheet and at what amount as well as the basis of presentation for gains and losses on financial instruments in the consolidated financial statements.

Boralex has made the following classifications:

- Cash and cash equivalents and CO_2 quotas are classified as "Assets held for trading". They are measured at fair value and the gains or losses resulting from the remeasurement at the end of the period are recognized in net income.
- Accounts receivable are classified as "Loans and receivables". They are recorded at cost, which upon their initial measurement is equal to their fair value. Subsequent measurements are recorded at amortized cost using the effective interest method.
- Restricted funds and other funds held in trust and investments are classified as "Assets available for sale" and are measured at fair value. Gains and losses resulting from periodic remeasurement are recognized in comprehensive income.
- Accounts payable and accrued liabilities and long-term debt are classified as "Other financial liabilities". They are initially recorded at fair value. Subsequent measurements are recorded at amortized cost using the effective interest method.

Section 3855 also provides guidelines for the recognition of fees and costs incurred on the issuance of debt instruments. Transaction costs are now deducted from financial liabilities and are amortized using the effective interest method over the expected life of the liability in question. Following the application of Section 3855, non-amortized financing expenses of $3,011,000 as at January 1, 2007, previously recognized under *Other long-term assets*, have been reclassified under *Long-term debt*.

Boralex chose January 1, 2003 as the transition date for embedded derivatives.

Section 3865 "Hedges" specifies the manner in which hedge accounting is applied. Boralex decided, in accordance with its risk management strategy, to continue to apply hedge accounting for its interest rate swaps and its electricity swaps as cash flows hedges. These derivatives are now recognized at their fair value and the gains and losses resulting from their periodic remeasurement are recognized in comprehensive income, to the extent that the hedging is deemed effective.

The adoption of these new standards translated, as at January 1, 2007, into a $3,585,000 decrease in accumulated other comprehensive income, a $5,272,000 increase in financial instruments reported in Other assets and by a $1,687,000 increase in future income tax liabilities. The adoption of these new standards had no impact on the Corporation's cash flows.

Note 3.
Measurement uncertainty

Boralex records renewable energy tax credits when it possesses a reasonable assurance that they can be used. In order to establish the recoverability of these credits, Boralex forecasted its taxable income on the carry-forward period of the credits. This forecast is based on assumptions that could vary considerably in the future.

The key assumptions are mainly: the future selling price of electricity and its other associated revenues, the price of other energy sources, particularly those of oil and natural gas, future costs of wood-residue procurement, and finally the remaining useful life of the energy producing assets, considering the investments and maintenance planned over the period.

On a three-year horizon, there exists some liquidity in the electricity open market, making it possible to project the future price curve. Beyond three years, prices can be negociated with specific parties, but often at a significant discount considering a lack of liquidity for such a period. Therefore, the assumption made is that for years four and after, the price will vary according to inflation rates. Assumptions related to the other sources of energy are made using a similar method because there exists a correlation between their price and that of electricity.

In regards to wood-residue costs, this raw material is not part to an organized open market. Purchases are made based on specific agreements negotiated with each supplier. Most of the agreements are renewable on an annual basis, therefore the prices are subject to some volatility. In that context, the assumption for wood-residue costs is based on next year's contracts, adjusted for inflation in the remaining years of the forecast period.

Note 3. Measurement uncertainty (cont'd)

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

Note 4. Share information

As at June 30, 2007 the capital stock issued and outstanding consisted of 37,454,625 Class A shares (30,049,586 as at December 31, 2006). During the six-month period ending June 30, 2007, 71,705 options were exercised, 7,333,334 shares were issued under a public offering and 151,745 options were issued. Cost related to the public offering amounted to $4,968,000 were recorded against retained earnings, net of future taxes of $1,561,000.

As at August 7, 2007 the number of share purchase options outstanding was 1,256,146 of which 671,260 could be exercised.

Note 5. Share purchase option plan

The Corporation applies the fair value method of accounting for stock-based compensation awards granted to employees and officers. Accordingly, an amount of $402,000 has been recorded as administration cost to account for the cost of stock options, for the six-month period ended June 30, 2007 ($240,000 in 2006).

The following assumptions were used to estimate the fair value, at the date of grant, for the options issued in 2007:

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

Note 6. Other assets

	NOTE	JUNE 30, 2007	DECEMBER 31, 2006
Renewable energy tax credits	6 b)	**18,689**	20,231
Deferred financing costs	2	**-**	3,011
Monetization program expenses	9	**4,696**	5,673
Restricted funds and other funds held in trust	6 c)	**1,510**	8,280
Net investment in lease financings		**7,222**	5,420
Fair value of derivative instruments	2	**7,143**	-
Deferred costs		**496**	355
CO_2 quota		**75**	71
Other investment		**74**	79
Project development costs		**1,629**	1,360
		41,534	44,480

a) Amortization of deferred costs was $21,000 for the six-month period ended June 30, 2007 ($65,000 for the year ended December 31, 2006). Amortization of the costs related to the monetization program was $1,016,000 for the six-month period ended June 30, 2007 ($153,000 for the year ended December 31, 2006).

b) The renewable energy credits represent tax credits earned by the Corporation before it set up the monetization program as well as tax credits attributable to power stations acquired subsequently. Tax credits earned will be used against future income taxes. Financial projection indicate that the amount recorded may be realized in the next 5 to 10 years.

c) Under the financial agreements for the Massif Central and Plouguin projects, in 2006 the Corporation established cash reserves for debt servicing. Under the refinancing dated on June 25, 2007, some of those reserves were released.

Note 7.
Long-term debt

	Note	Rate (1)	June 30, 2007	December 31, 2006
Revolving credit bearing interest at a variable rate	a)	-	-	49,493
Bridge loan with a balance of €6,800,000 as at June 30, 2007 (€15,873,000 in 2006), bearing interest at a variable rate and maturing January 4, 2008	b)	4.24%	9,776	24,408
Secured senior credits with a balance of € 95,546,000 as at June 30, 2007 (€83,938,000 in 2006), repayable in semi-annual instalments and maturing between 2017 and 2020	c)	4.95%	137,357	129,071
Secured junior credit with a balance of €7,050,000 as at June 30, 2007 (€3,734,000 in 2006), repayable in semi-annual instalments and maturing in 2015	c)	6.20%	10,135	5,742
Project leases with a balance of €11,158,000 as at June 30, 2007 (€12,096,000 in 2006), repayable in quarterly instalments and maturing between 2012 and 2015	d)	5.66%	16,041	18,600
Term loan bearing interest at a variable rate with a balance of US$3,896,000 as at June 30, 2007 (US$4,296,000 in 2006), repayable in quarterly instalments and maturing July 31, 2007		8.25%	4,143	5,006
Others			5,366	2,008
			182,818	234,328
Less:				
Current portion of long-term debt			30,080	41,835
Deferred financing costs	2		4,968	-
			147,770	192,493

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

a) This financing, for a total authorized of $85,000,000, is guaranteed by Boralex's investment in the Fund, based on the following formula: amounts advanced may not exceed 60% of the market value of the investment. If the market value of the investment were to drop below this limit, creditors would be entitled to demand repayment of a portion of the amounts advanced in order to reestablish the coverage ratio. As at June 30, 2007, no amount was used but letters of credit for a total of $10,716,000 (including the letter of credit discussed in b) were issued against this operating credit. Lastly, the market value of a unit was $10,08 and the repayment threshold was $1,30 (including all letters of credit in circulation issued on the operating credit).

b) A letter of credit in the amount of $9,776,000 as at June 30, 2007 ($25,269,000 as at December 31, 2006) drawn on the revolving credit was issued to garantee the secured credits. As discussed below, the Corporation closed a major refinancing of some secured credits. This transaction allowed to reimburse part of the bridge loan and consequently its corresponding letter of credit.

c) During the second quarter of 2007, the Corporation concluded the refinancing of secured senior and junior credits related to the wind power sites of Ally, Cham Longe, Plouguin and Saint Agrève. This refinancing was achieved through the implementation of a new master credit agreement comprised of a senior credit facility of a maximum of 250 million euros and a junior credit facility of a maximum of 15 million euros. The previous secured credits, some of which were included under the previous master credit agreement, were reimbursed by amounts drawned on the new agreement. The set up of this new master agreement also allowed to extend the term until December 31, 2010.

Because of the increased diversification of the portfolio of assets, the Corporation was able to increase its loan capacity, as well as reduce the amount of cash reserves required to support debt service. As a result, the Corporation negotiated two new credit facilities that will serve to cover temporarily eventual cash requirements to service the debts. Those credit facilities are authorized at $7,234,000 (€5,032,000) and $808,000 (€562,000) respectively.

Senior and junior credits are secured with the assets of the associated projects, with the junior credit being subordinate to the senior credit.

d) Project leases consist of capital leases on assets located in France. The net book value of property, plant and equipment covered by these leases is $21,294,000 ($26,245,000 as at December 31, 2006).

Note 7. Long-term debt (cont'd)

Interest rate swaps

Except for the Nibas wind farm financing, all senior and junior secured credit together with a portion of certain leases bear interest at a variable rate. To offset the interest rate risk, the Corporation has entered into interest rate swaps to obtain fixed interest charges on portions varying from 56% to 100% of the corresponding credit. These agreements involve the periodic exchange of interest payments without any exchange of the principal on which they are calculated. Under these agreements, the Corporation receives a variable amount based on the EURIBOR rate and pays fixed amounts based on rates of between 3.30% and 5.16%. Since some credits are 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 swap instruments, the Corporation has reduced the proportion of its variable-rate debt from 86% to 16%.

Guarantees

In addition to capital assets associated with capital leases and the investment in the Fund securing the revolving bank credit, the property, plant and equipment of one U.S. power station, one Quebec power station and French power stations, with a net book value totalling $170,813,000 as at June 30, 2007 ($172,396,000 as at December 31, 2006), together with the related working capital, have been pledged as collateral on the debts associated to those projects.

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

2008	30,080
2009	14,265
2010	15,017
2011	13,651
2012	11,852

Note 8. Accumulated other comprehensive income

	June 30, 2007
Cumulative translation adjustments reclassified in accordance with the new accounting policies (note 2)	**(28,067)**
Cumulative impact of accounting changes relating to financial instruments as at January 1, 2007 (note 2)	**3,585**
	(24,482)
Other comprehensive income for the period	**(18,852)**
Balance end of period	**(43,334)**

Note 9. Renewable energy tax credit monetization program

The Corporation closed a transaction that allows it to immediately receive a cash portion of the value of the renewable energy tax credits to be earned by some of its wood-residue thermal power stations in the United States. The investor must be the legal owner of the power stations in order to take advantage of these credits. The transaction thus also included the transfer of power station ownership. However, the Corporation continues to consolidate these facilities under AcG-15, which defines the rules for consolidating variable interest entities. Although the Corporation no longer holds the majority voting rights for these operations, it is still the primary beneficiary since it will receive all of the cash flow generated by these facilities and is responsible for any operating losses. In addition, the Corporation continues to operate the facilities under a service agreement that allows it to define strategic and operating parameters.

On December 1, 2006, the Corporation received $16,719,000 (US$14,500,000), or about 50% of the value of the tax credits that will be generated between the transaction date and December 31, 2009, the date when the program ends. The balance of the credit amount will be paid by the investor as the credits are earned. If the Corporaion cannot produce enough to absorb the value of the amount initially paid by the investor, the contract requires the Corporation to repay that portion. The Corporation believes that future production will be sufficient to cover all its commitments.

The agreements state that by the end of the program, the Corporation's share of the profits generated by the power stations will automatically be adjusted to a minimum of 80% and that it will have call rights to buy the assets at their market value at that date. Based on current estimates, the buy back option would cost about US$5 million.

Due to the implementation of this program, the nature of the amounts recorded after December 1, 2006 has been modified. Although the payments are equivalent to a proportion of the value of the renewable energy tax credit, the amounts recorded cannot be posted against tax expenses as they become a taxable item. The Corporation decided that it would not modify the presentation of the items and that it would continue to indicate them separately given their relative materiality.

Note 10.
Financal instruments

The Corporation is carrying long-term debts bearing interest at variable rates. As at June 30, 2007, approximately 86% of the long-term debt issued bears interest at variable rates as do the Corporation's bank loans. A sharp increase in interest rates in the future, could affect the liquid assets available for the Corporation's development projects. As discussed in note 7, the Corporation has used interest rate swaps to reduce its risk by reducing its exposure to interest rate fluctuations to 16% of total debt. As at June 30, 2007, the notional amount of those swaps was $130,420,000 (€90,720,000) and their favourable fair value stood at $5,942,000 (€4,134,000).

Because of the refinancing closed on June 25, 2007 (see note 7c), the Corporation failed to maintain the hedging relationships that had been established between its interest rate swaps and the previous debts. As such, it had to terminate the hedging relationship it had established using the critical term match criteria, which provide an exemption from the performance of periodic efficiency testing. Based on a mathematical demonstration of that efficiency, these swaps will be redesignated as hedges of interest cash flows of the refinanced debts. The fair value of those instruments was $5,874,000 (€4,085,000).

As at June 30, 2007, the Corporation had entered into seven electricity swaps for the deliveries of 275,640 MWh over periods of three to 21 months. All these financial electricity swaps as at June 30, 2007 were designed as hedges of future variable cash flows related to the delivery of electricity and their favorable fair value amounted to $759,000 ($US714,000). These contracts qualify for hedge accounting.

Note 11.
Seasonality

The Corporation's power generation follows a seasonal cycle. Generally, consumption increases in the winter and summer, which correspond to Boralex's first and third quarters. This means that, for those two periods, facilities that sell on the open market usually have higher average electricity sales prices. Given this, and because the wood-residue power stations can control their level of production, they operate at a higher level during such periods. Their regular maintenance is then done in the spring or fall, which affects their operating results.

Hydroelectric generation depends on water flows, which in Québec and the northeastern US are at their maximum in the spring and are generally good in the fall, which correspond to Boralex's second and fourth quarters. Flows tend to decrease in the winter and summer. Note that Boralex's hydroelectric facilities do not have reservoirs with which they could regulate the water flows.

In other respects, certain power stations have long-term fixed-price power sales contracts. This is the case for the two hydroelectric stations in Québec, one hydroelectric in the US and all of the Corporation's facilities in France.

The natural gas power station is also subject to a seasonal cycle because its electricity sales contract favours the production during winter, where the demand in France is higher. Thus, during the three last years, the Corporation produced electricity only during the months of November to March.

The investment of Boralex in the Boralex Power Income Fund (the "Fund") is also subject to a seasonal cycle. In fact, about 50% of the Fund's production is hydroelectric, and therefore subject to comparable fluctuations as those affecting the power stations owned directly by Boralex in that segment.

In conclusion, Boralex is affected by seasonal cycles, however, its diversification in production sources reduces the seasonal variations in its results.

Note 12.
Segmented information

The Corporation's power stations are grouped under four distinct segments: wind power, hydroelectric power, wood-residue thermal power and natural gas thermal power, and are engaged mainly in the production of energy. The classification of these segments is based on the different cost structures relating to each type of power station. The accounting policies that apply to the individual segments are the same policies used for the consolidated financial statements as described in note 1.

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

Note 12 - Segmented information (Cont'd)

The following table reconciles EBITDA to net earnings:

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2007	2006	**2007**	2006
		(restated-note 2)		(restated-note 2)
Net earnings	**4,838**	1,411	**14,615**	8,945
Non-controlling interests	**(3)**	66	**54**	137
Income tax expense (recovery)	**(507)**	(4,315)	**4,926**	(1,852)
Financial expenses	**2,920**	2,897	**6,326**	5,678
Termination of hedging relationships	**(5,874)**	-	**(5,874)**	-
Amortization	**4,842**	4,850	**11,327**	9,582
Consolidated EBITDA	**6,216**	4,909	**31,374**	22,490

Information by segment

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2007	2006	**2007**	2006
PRODUCTION (in MWh)				
Wind power stations	**38,729**	43,430	**100,705**	89,960
Hydroelectric power stations	**32,589**	37,027	**66,170**	77,790
Wood-residue thermal power stations	**255,503**	174,378	**596,883**	458,795
Natural gas thermal power station	**28**	30	**22,202**	22,679
	326,849	254,865	**785,960**	649,224
REVENUE FROM ENERGY SALES				
Wind power stations	**4,934**	5,221	**13,202**	10,795
Hydroelectric power stations	**2,857**	2,693	**5,936**	6,287
Wood-residue thermal power stations	**22,839**	11,001	**56,199**	33,249
Natural gas thermal power station	**1,724**	1,904	**7,819**	7,589
	32,354	20,819	**83,156**	57,920
EBITDA				
Wind power stations	**3,867**	4,457	**10,937**	8,968
Hydroelectric power stations	**2,203**	2,129	**4,269**	4,692
Wood-residue thermal power stations	**2,239**	(2,767)	**13,766**	1,480
Natural gas thermal power station	**(329)**	344	**1,776**	3,847
Corporate and eliminations	**(1,764)**	746	**626**	3,503
	6,216	4,909	**31,374**	22,490
PURCHASE OF PROPERTY, PLANT AND EQUIPMENT				
Wind power stations	**10,331**	1,613	**10,528**	7,595
Hydroelectric power stations	**11**	129	**129**	147
Wood-residue thermal power stations	**1,281**	5,983	**1,326**	8,059
Natural gas thermal power station	**-**	94	**2**	94
Corporate and eliminations	**70**	37	**207**	111
	11,693	7,856	**12,192**	16,006

	30 juin	31 décembre
	2007	2006
ASSETS		(restated-note 2)
Wind power stations	**197,086**	194,634
Hydroelectric power stations	**34,966**	34,284
Wood-residue thermal power stations	**132,818**	147,099
Natural gas thermal power station	**17,800**	21,944
Corporate and eliminations	**136,172**	78,069
	518,842	476,030

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