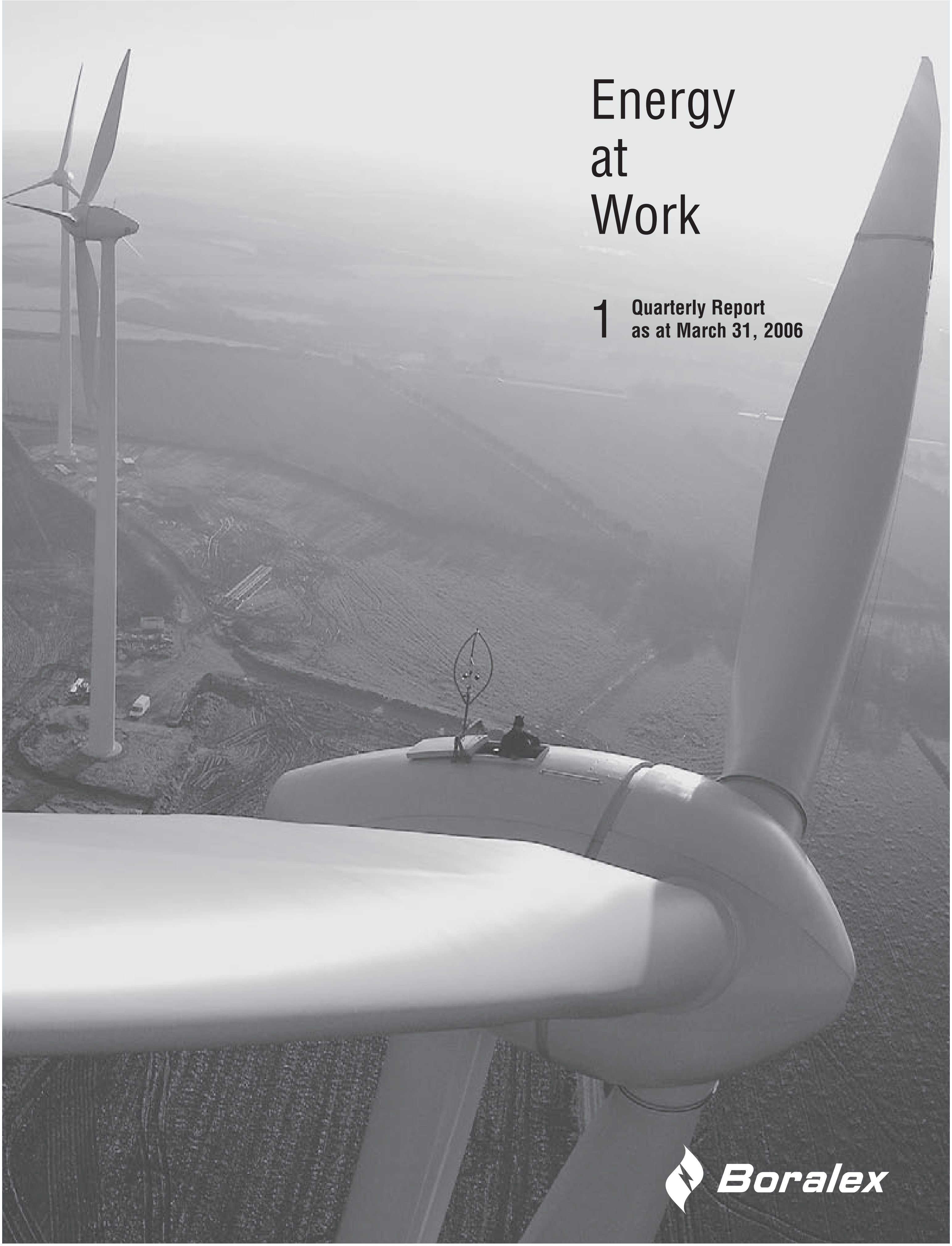
Energy at Work

1 Quarterly Report
as at March 31, 2006



Boralex

Profile

Boralex Inc. ("Boralex" or the "Corporation") is a private electricity producer operating in Quebec, Canada, in the northeastern United States and France, that has about 260 employees. The Corporation specializes in the generation of green and renewable energy; it thus owns and operates 20 power generation sites with a combined total installed capacity of 315 megawatts ("MW"). In addition to its own power stations, Boralex manages 10 power stations with a total installed capacity of 190 MW in Quebec and the northeastern United States that belong to the Boralex Power Income Fund (the "Fund"), in which it has a 23% interest.

Boralex operates in four different sectors that each corresponds to a different type of energy production:

- Boralex is one of the largest producer of **wood-residue energy** in North America, with five thermal power stations in Maine and New York State, U.S.A., having a total installed capacity of 186 MW. In addition, on behalf of the Fund, the Corporation manages a wood-residue thermal power station with an installed capacity of 34.6 MW and a wood-residue cogeneration power station with an installed capacity of 28 MW in Quebec. To provide a partial source of supply for the power stations, Boralex operates Secure Wood Chips which recycles urban waste wood, and has supply agreements with various Canadian and U.S. providers;

- Boralex owns eight **hydroelectric power** stations, of which five are in the United States, two in Quebec and one in France, with a combined total installed capacity of 26 MW. The Corporation manages another seven hydroelectric power stations for the Fund, of which five are in Quebec and two in the United States, with a total installed capacity of slightly over 96.4 MW;

- In the past several years Boralex has developed leading expertise in the promising wind energy field, becoming one of the top **wind power** producers in France, where it currently operates six wind farms with a total installed capacity of 89 MW and is working on developing other sites. With a new site under construction, total installed capacity will soon be over 100 MW. Under a recent partnership, a wind power development project is also underway in Québec;

- In France, Boralex operates a 14 MW natural-gas cogeneration power station that also produces an average of 528,000 thousand pounds of steam per year. The Corporation also manages a natural-gas cogeneration power station for the Fund, which has an installed capacity of 31 MW and produces 900,000 thousand pounds of steam per year.

Boralex's stock, in which Cascades Inc. holds a 43% interest, trades on the Toronto Stock Exchange under the ticker symbol BLX.

Management's Discussion and Analysis as at March 31, 2006

Introductory Comments

General

This report discusses the operating results and cash flows for the three-month periods ended March 31, 2005 and 2006, and the Corporation's financial position at those dates. It should be read in conjunction with the unaudited consolidated quarterly financial statements, and with management's discussion and analysis report, audited financial statements and related notes in the Corporation's annual report for the year ended December 31, 2005.

Additional information about the Corporation, including the annual information form, previous annual reports, management reports, 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 divisions.

The information contained in this report reflects all material events up to May 11, 2006, the date on which the Board of Directors approved the quarterly financial statements and this management's report.

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 analysis, including those regarding future results and performance, may constitute forward-looking statements within the meaning of securities legislation and are based on current expectations. These statements are characterized by the use of positive or negative verbs such as "plan", "anticipate", "evaluate", "estimate", "believe" and other related expressions.

Boralex would like to point out that, by their very nature, forward-looking statements involve risks and uncertainties; its 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 fuel costs, currency fluctuations, fluctuations in the selling price of electricity, the Corporation's financing capacity, negative changes in the general market and industry conditions, as well as other factors described in "*Risks and Uncertainties*" in management's discussion and analysis included in the annual report for the year ended December 31, 2005.

No assurance may be given regarding the materialization of results, returns or realizations that are presented or implied in forward-looking statements. Boralex management does not assume any obligation to update or revise forward-looking statements included in this report to reflect new information, future events or other changes.

Compliance with Generally Accepted Accounting Principles

Unless otherwise specified, all financial information, 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 on non-GAAP measurements*" in this report for a comparison of EBITDA figures and certain items in Boralex's consolidated results.

Seasonality

Part of the Corporation's power generation follows a seasonal cycle. Generally, consumption of electricity increases in the winter and summer, which correspond to Boralex's first and third quarters. During these two periods, power stations that do not have long-term power sales contracts can sell on the open market and obtain higher average electricity prices. The wood-residue power stations, because they can control their level of production, operate at a higher level during these periods of peak demand. They thus perform their regular maintenance in the spring or fall, which affects their operating results during those seasons.

Hydroelectric generation depends on water flows, which in Quebec and the northeastern U.S. 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 Quebec, and all of the Corporation's facilities in France, which include the natural gas cogeneration power station at Blendecques and all the wind farms.

To conclude, although Boralex's performance is affected by seasonal cycles, its diversified sources of generation mitigate the seasonal variations.

Financial Highlights

(in thousands of dollars, unless otherwise specified)

Financial Performance	For the three-month periods ended March 31 2006	2005
Revenue from energy sales		
Hydroelectric power stations	3,594	2,699
Wood-residue thermal power stations	22,248	20,516
Natural gas power station	5,685	5,739
Wind power sites	5,574	2,064
	37,101	31,018
EBITDA		
Hydroelectric power stations	2,563	2,284
Wood-residue thermal power stations	4,247	2,040
Natural gas power station	3,503	1,432
Wind power sites	4,511	1,646
Corporate and eliminations	2,757	1,998
	17,581	9,400
Net earnings	7,609	3,409
Per share (in dollars)	0.25	0.11
Weighted average number of shares outstanding	29,997,561	29,986,363

Financial Position	As at March 31 2006	As at December 31 2005
Total assets	449,860	429,515
Total debt*	224,004	203,849
Shareholders' equity	173,694	165,211

* Including long-term debt and current maturities, as well as bank loans and advances

Additional Information about Non-GAAP Performance Measurements

To assess the operating performance of its assets and reporting segments, Boralex uses EBITDA, even though it is not a performance measurement under GAAP. 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 GAAP performance measurement, 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 the Boralex consolidated results, EBITDA corresponds to the item *Earnings before the following*. The following table reconciles EBITDA to the net earnings:

(in thousands of dollars)	Three-month periods ended March 31 2006	2005
Net earnings	7,609	3,409
Non-controlling interests	71	81
Income tax expense	2,500	2,200
Financial expense	2,781	1,334
Amortization	4,620	2,376
EBITDA	17,581	9,400

Operating Results for the Three-Month Period Ended March 31, 2006

Analysis of Major Variances

(in millions of dollars)	Revenue from energy sales	EBITDA
March 31, 2005	31.0	9.4
Start-ups	4.0	3.3
RECs	(0.9)	(0.9)
Volume	1.5	0.7
Pricing	4.0	4.0
CO_2 quota	-	2.3
Translation of foreign operations	(2.4)	(0.6)
Tax credits	-	3.0
Fuel costs	-	(4.1)
Results related to the Fund	-	0.5
Other	(0.1)	-
March 31, 2006	37.1	17.6

Revenue from energy sales

Revenue from energy sales rose 20% to $37.1 million during the three months ended March 31, 2006, compared to revenue of $31 million for the same period in 2005. The increase in the Canadian dollar versus the US dollar and euro had a negative impact of $2.4 million on 2005 revenue, otherwise growth would have been 27%.

Revenue growth stems mainly from the following:

- 18% increase in production volume for a total of 394,359 megawatthours (“MWh”) in 2006, compared to 335,075 MWh in 2005. This increase, which generated additional revenue of about $5.5 million, is the result of the start-up of the Massif Central and Plouguin wind power sites in France, higher hydroelectric generation due to superior hydrologic conditions, and improved production at the wood-residue power station in Ashland, Maine;

- an increase of about 7% in the average selling price per MWh for all the Corporation’s power plants, stemming mainly from higher prices on the U.S. market, which added revenue of about $4 million compared to 2005;

- on the other hand, revenue from the sale of Renewable Energy Certificates (“RECs”) decreased $0.9 million compared to 2005 due to current market conditions.

Other Revenue

Boralex reported $7.4 million in revenue other than energy revenue in the first quarter of 2006, compared to $4.6 million in 2005. The 61% increase of $2.8 million stems mainly from two elements:

- $2.3 million in revenue from the sale of excess CO_2 quota by the Blendecques natural gas power station in the first quarter of 2006;

- an increase of $0.5 million in the share of the Fund’s results due to the superior hydrologic conditions in 2006.

EBITDA

Consolidated EBITDA for the first quarter of 2006 increased to $17.6 million, or 87%. This performance is due mainly to the following:

- start-ups at the Massif Central and Plouguin wind power sites, which added $3.3 million to EBITDA;

- higher selling prices, adding $4 million to consolidated EBITDA;

- tax credits granted to U.S. thermal power stations as renewable energy producers, reducing operating costs for those power stations by $3 million. Note that in 2005, the Corporation started recording these credits in the second quarter;

- $2.3 million in revenue from the sale of excess CO_2 quota;

- higher production volumes at the hydroelectric and wood-residue power stations, which added $1 million to EBITDA.

These increases in EBITDA were partially offset by $4.1 million in higher fuel expense, of which $3.3 million was incurred by the wood-residue power stations, and the balance by the natural gas power station.

(A more detailed analysis of changes in revenue and EBITDA in the different segments is presented in the section: “Segmented Results for the three-month period Ended March 31, 2006.”)

Amortization, Financial Expenses and Earnings Before Income Taxes

Amortization expense in the first quarter of 2006 totalled $4.6 million against $2.4 million in 2005, stemming mainly from the investments of the past 12 months, including the start-up of the Massif Central and Plouguin wind farms and investments made in 2005 to improve productivity at the wood-residue power stations. Note that the amortization method for these power stations is based on actual generation.

Financial expenses doubled to $2.8 million in the first quarter of 2006, due to two main factors:

- start-up of the Plouguin and Massif Central sites, which required additional debt of close to $140 million at interest rates of about 5%;

- investments in 2005 in the U.S. power stations, financed using Boralex's revolving credit facility.

As a result, in 2006 Boralex reported earnings before income taxes of $10.2 million, compared to $5.7 million in 2005.

Income Tax Expense

In the first quarter of 2006, Boralex's income tax expense amounted to $2.5 million for a consolidated tax rate of about 35%, excluding the effect of the renewable energy tax credits.

Net Earnings

In the first quarter of 2006, Boralex posted net earnings of $7.6 million, or $0.25 per share, compared to $3.4 million, or $0.11 per share in the first quarter of 2005. The weighted average number of shares outstanding remained the same for both periods at 30 million shares.

The improvement in first quarter results stems mainly from:

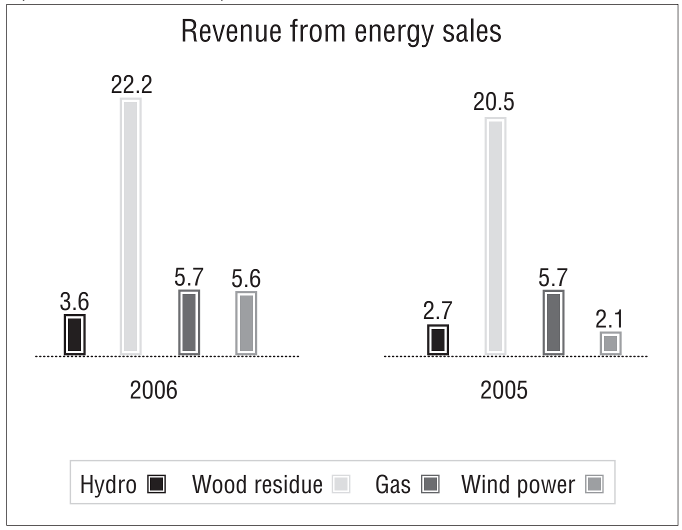
- **investments in the wind power segment in France in 2005 ;**
- **higher electricity prices on the U.S. market;**
- **programs and tax incentives in the United States and France aimed at promoting renewable energy, another opportunity that Boralex has been able to take advantage of by exploiting its expertise in this area.**

Boralex's planned development in the wind power segment in France and North America will continue to contribute to its performance in 2006 and future years.

Segmented Results for the Three-Month Period Ended March 31, 2006

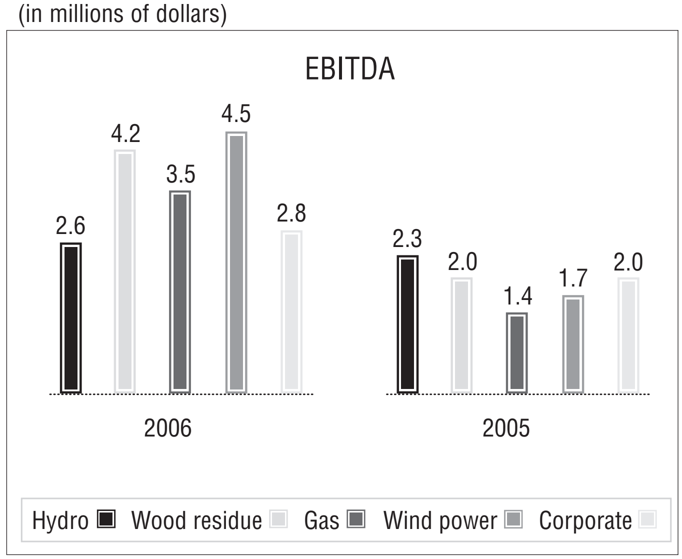
Distribution by segment

(in millions of dollars)



In 2006, due to the Massif Central and Plouguin start-ups which added a capacity of 65 MW, the wind power segment more than doubled its contribution to consolidated revenue, which rose from 7% to 15%. This expansion increases Boralex's diversification.

(in millions of dollars)



The new wind farms also increased this segment's contribution to EBITDA, which rose from 18% in 2005 to 26% in 2006.

Hydroelectric power stations

Analysis of Major Variances

(in millions of dollars)	Revenue from energy sales	EBITDA
March 31, 2005	2.7	2.3
Volume	0.6	0.6
Pricing	0.4	0.4
Translation of U.S. operations	(0.1)	(0.1)
Non-recurring items	-	(0.4)
Others	-	(0.2)
March 31, 2006	3.6	2.6

For the three months ended March 31, 2006, this segment reported revenue of $3.6 million compared to $2.7 million a year earlier, for growth of 33%. This growth is attributable to two factors:

- higher water flows in the first quarter of 2006, which resulted in generation levels that were 25% higher than the historical average and 22% higher than 2005. The hydroelectric segment thus produced 40,763 MWh compared to 33,445 MWh in 2005;

- an increase of 14% in electricity prices on their market.

EBITDA for the quarter totalled $2.6 million, up 13% over $2.3 million in the same period in 2005. This increase is basically due to the higher revenue discussed above. Also, in 2005, Boralex recorded certain non-recurring adjustments, which had increased EBITDA by $0.4 million.

The power stations ran well during the quarter and there was little unscheduled downtime. Repairs at Sissonville following a major breakdown in 2005 were finished by the end of November and the power station was successfully brought back on line.

Wood-Residue Power Stations

Analysis of Major Variances

(in millions of dollars)	Revenue from energy sales	EBITDA
March 31, 2005	20.5	2.0
RECs	(0.9)	(0.9)
Volume	1.5	0.3
Pricing	2.4	2.4
Translation of U.S. operations	(1.2)	(0.1)
Tax credits	-	3.0
Fuel costs	-	(3.3)
Maintenance	-	0.5
Others	(0.1)	0.3
March 31, 2006	22.2	4.2

For the three months ended March 31, 2006, revenue rose 8% to $22.2 million, versus $20.5 million for the same period in 2005. Excluding the increase in the Canadian dollar, which reduced revenue by $1.2 million, the increase would have been 14%. The five power stations generated a total of 284,417 MWh in 2006, compared to 264,244 MWh in 2005, up almost 8%. The higher revenue and power generation is due to the following:

- 27% increase in electricity prices on their market;

- greater availability of wood-residue supplies stemming from Boralex's supply strategies since 2004, which has allowed the power stations to operate at a higher regime;

- increased generation at Ashland, which was ramping-up in 2005.

These positive factors were partially offset by lower revenue from the sale of RECs. Although Stratton continued to produce RECs in the first quarter of 2006, the market for these certificates is in a phase where supply exceeds demand. Boralex has therefore not signed any new contracts for RECs. The Corporation foresees that the situation in the Connecticut market will reverse in 2007, when the percentage of renewable energy required from distributors will result in an under-supplied market. Note that required levels will rise to 7% in 2010, compared to 2% in 2006.

EBITDA for the wood-residue power generation segment grew $2.2 million, from $2 million for the three months ended March 31, 2005, to $4.2 million in 2006. The main factors influencing this performance are as follows:

- $1.7 million increase in revenue, as discussed above;

- recording of $3 million in renewable energy tax credits. Note that Boralex had started recording these credits in the second quarter of 2005;

- savings of $0.5 million in maintenance expense related to costs incurred in 2005 following a fire at Livermore Falls.

However, fuel costs for the power stations rose $3.3 million, due to several factors. First, the increases that occurred in 2005 were maintained in the first quarter of 2006. Second, given current oil prices, the cost of transporting the wood residues is currently higher than in 2005. Lastly, the higher generation by the wood-residue segment increased the marginal supply cost. Boralex Management is continually exploring new initiatives to reduce its supply costs.

Natural Gas Cogeneration Plant

Analysis of Major Variances

(in millions of dollars)	Revenue from energy sales	EBITDA
March 31, 2005	5.7	1.4
Volume	(0.3)	-
Pricing	1.2	1.2
CO_2 quota	-	2.3
Translation of French operations	(0.8)	(0.2)
Natural gas cost	-	(0.8)
Others	(0.1)	(0.4)
March 31, 2006	5.7	3.5

For the three months ended March 31, 2006, energy revenue from the Blendecques natural gas power station amounted to $5.7 million, the same as in 2005. Revenue growth was affected by the following items:

- increase in the Canadian dollar versus the euro, which reduced revenue by $0.8 million; were it not for this factor, revenue would have grown 14%;

- higher electricity and steam prices, which are indexed to the price of natural gas in France.

EBITDA for this facility did, however, increase by $2.1 million to $3.5 million in the first quarter of 2006. This strong growth is primarily due to $2.3 million from the sale of excess CO_2 quota. The higher market prices mentioned above were largely offset by the higher cost of natural gas. Finally, due to higher profitability, the share of our steam client increased by about $0.3 million.

Again, this year, because natural gas prices are still high and management expects this situation to continue in the coming months, the cogeneration equipment will be shut down from April to October 2006. The steam client will be supplied from the auxiliary boiler. This decision will be reviewed if the price of natural gas drops significantly and the plant's marginal profitability improves significantly.

Wind Power Sites

Analysis of Major Variances

(in millions of dollars)	Revenue from energy sales	EBITDA
March 31, 2005	2.1	1.6
Start-ups	4.0	3.3
Volume	(0.3)	(0.3)
Translation of French operations	(0.3)	(0.2)
Others	0.1	0.1
March 31, 2006	5.6	4.5

For the three months ended March 31, 2006, revenue in the wind power segment amounted to $5.6 million, up $3.5 million over revenue of $2.1 million in 2005. In total, the wind turbines generated 46,530 MWh compared to 15,002 MWh for the same period in 2005. This significant growth is due to the recent start-ups at the Massif Central (57 MW) and Plouguin (8 MW) sites. The Massif Central sites experienced a slower start-up because of certain defective equipment and stronger than normal frost conditions. However, the Corporation is satisfied with the measures taken to solve the equipment problem and the facilities are now operating in line with expectations. Wind conditions were weaker than last year for the existing sites at Nibas, Chépy and Avignonet. This led to lower generation volume than in 2005. The sum of these factors resulted in EBITDA of $4.5 million, an increase of $2.9 million over the same period in 2005.

Development is continuing at the La Citadelle ("St-Agrève") (12 MW) site acquired in December 2005. Start-up is slated for the first quarter of 2007.

Principal Cash Flows

Operating activities

For the first quarter of 2006, Boralex's cash flows related to operating activities before net change in non-cash working capital ("Cash flows from operations") rose to $11.3 million compared to $8 million in 2005. The increase is primarily due to the new wind farm start-ups and improved operating results, as described above. The change in non-cash working capital balances required cash assets of $7.7 million, compared to $14.5 million in 2005. The significant working capital outlays stem mainly from the final payments for the Massif Central and Plouguin projects in 2006, and for Nibas and Stratton in 2005. In 2005, outlays were also required to complete the acquisition of the French companies that held the rights for the Massif Central development. Operating activities generated net cash flow of $3.6 million in 2006, compared to an outlay of $6.5 million in 2005.

Investing activities

Since the beginning of 2006, Boralex has invested a net amount of $13.6 million in its various expansion projects, compared to $7.1 million in 2005. The biggest investment, of about $11 million, was used to develop wind power in France, i.e., to acquire capital assets and set aside reserves as required by the Massif Central financing agreement. The balance was invested in the wood-residue segment to buy generating equipment in preparation for the spring maintenance period, to purchase equipment to be leased to suppliers, and to replace mobile equipment. In 2005, the Corporation invested in construction at the Massif Central sites, in the purchase of secondary systems to improve the performance of its wood-residue power stations, and in equipment to be leased to wood-residue suppliers.

Financing activities

On January 27, 2006, Boralex announced that it had concluded a long-term refinancing agreement of $85 million, replacing the original $65 million revolving credit issued in 2004. The new arrangement consists of a three-year revolving credit, with two one-year options to renew. Like the previous facility, the new financing is guaranteed by Boralex's investment in the Fund, to a limit based on the market value of the Fund's trust units. The amounts borrowed may therefore not exceed a certain percentage of the market value of the investment, or the lenders can recall a portion of the amounts borrowed. The instrument bears variable interest at bankers' acceptance rate, adjusted by a margin that varies depending on the ratio of debt coverage by the investment in the Fund.

Boralex used the new revolving credit to repay the $40.8 million drawn on its former credit arrangement. The Corporation also drew the final amounts on its authorized credit for the Massif Central and Plouguin projects, as well as the first amounts on its authorized credit for the St-Agrève wind power project. In all, $15.5 million was drawn. In 2005, $7.7 million was obtained for the Nibas and Massif Central projects. Repayment of the credit for the Massif Central will start on June 30, 2006.

In summary, total cash flows for the first quarter of 2006, net of translation adjustment on cash and cash equivalents, increased $5.6 million, from $10.6 million at December 31, 2005, to $16.2 million at March 31, 2006.

Financial Position as at March 31, 2006

General

The changes in the financial position between December 31, 2005 and March 31, 2006 primarily reflect the Corporation's expansion in the wind power segment, and its long-term debt financing.

As at March 31, 2006, the Corporation had issued three letters of guarantee on its revolving credit for a total of $24.3 million, most of which was used to secure the bridge loan issued by a French bank for the Massif Central construction. The Corporation is currently engaged in discussions to convert part of the bridge loan into long-term financing. At the end of the first quarter, the total borrowed against the Corporation's revolving credit was $68.7 million and it had additional borrowing capacity of $16.3 million on this credit.

Assets

As at March 31, 2006, total assets amounted to $449.9 million, compared to $429.5 million at December 31, 2005. The $20.4 million increase is due primarily to growth in the wind power segment, with first quarter 2006 investments totalling about $11 million. In addition, about $2.6 million was invested in the wood-residue segment. This segment also benefited from $3 million in tax credits for renewable energy. Lastly, assets were also improved by the generation of $5.6 million in net cash during the quarter.

Working capital

At the end of the first quarter of 2006, Boralex's working capital showed a deficit of $10.9 million, compared to a deficit of $18.6 million at December 31, 2005. The improved working capital compared to December 2005 is due to the Corporation's good profitability, which had a positive impact on receivables and available cash balances.

At March 31, 2006, non-cash working capital, that is, before cash and cash-equivalents, loans and advances and the current portion of long-term debt, reached $14.1 million compared to $9.8 million as at December 31, 2005. The increase stems in large part from the reduction of *Accounts payable and accrued liabilities* resulting mainly from final payments related to the Massif Central and Plouguin sites, which started up towards the end of 2005.

Total debt and shareholders' equity

Since December 31, 2005, the Corporation's total debt has risen from $203.8 million ($193.2 million net of cash) to $224 million ($207.8 million net of cash) due to credit required for the Massif Central, Plouguin and St-Agrève projects. No new project was announced in the first quarter, and after upcoming borrowing for St-Agrève, the Corporation will still have undrawn credit of €160.3 million on the master credit agreement of €190 million, which gives it considerable flexibility to undertake new wind power projects between now and 2008.

At current construction costs, this would allow it to carry out projects totalling more than 100 MW.

With respect to the U.S. term loan that matured on May 1, 2006 and for which the balance at March 31, 2006 was US$4.9 million ($5.7 million), the Corporation has negotiated the renewal of this instrument for an additional year.

Given Boralex's share price, which was $9.00 at March 31, 2006, the total debt to market capitalization ratio was 83% at that date, compared to 81% at December 31, 2005, when the share value was $8.39. Shareholders' equity grew $8.5 million in the first quarter of 2006, mainly due to the quarter's net earnings. Equity thus totalled $173.7 million at March 31, 2006.

Outlook

Boralex management is confident that the Corporation will do well in 2006, since it will continue to benefit from the positive factors that improved its performance in 2005, in particular:

- average electricity prices on the U.S. open market should continue at levels similar to those of 2005. Despite the higher prices in the first quarter of 2006 compared to the first quarter of 2005, the Corporation does not think that the record prices of the fourth quarter of 2005 will repeat this year;

- the fact that the U.S. wood-residue power stations will continue to receive renewable energy tax credits. Note that U.S. authorities have reconfirmed that the credit amount will be US$9/MWh for 2006;

- the impact of investments over the past two years in the development of wind power and continued improvements in the efficiency of the wood-residue power stations.

The wood-residue supply strategies implemented since 2004 allowed Boralex to stabilize its supplies and optimize use of its power stations. However, the cost of fuel per ton has risen significantly in the past few years. As a result, Boralex aims to find solutions that will reduce this cost; several scenarios are being considered. Fuel transportation costs, which are a large part of the total cost, are affected by carriers' gasoline costs. Since this cost is subject to external factors, controlling wood residue sources, and thus the distance it travels, is a way for Boralex to control its costs. Boralex will thus try to establish strategic partnerships with wood-residue buyers who can also benefit from transportation savings.

The running-in phase at the Massif Central and Plouguin sites has been completed. Also, the frost conditions experienced in January and February 2006 will not reoccur during the rest of the year. Boralex has also taken certain steps that will allow it to better forecast the effects of such conditions in the future.

Boralex and its partners are continuing to study the wind power potential of the Seminary of Quebec lands. The wind data collected to date are promising and management believes that this site will give it a competitive edge with respect to participation in, among others, the 2000 MW call for tenders issued by Hydro-Québec.

Given the high cost of natural gas and the ceiling on the price at which the electricity generated by the Blendecques natural gas cogeneration plant can be sold, management has decided to temporarily shut-down the cogeneration equipment at Blendecques between the months of April to November. The steam customer can be supplied through the auxiliary boiler, as was done in 2005. The Corporation still has excess CO_2 quota attributed in 2006 and it will wait for the right time to sell it. Quota prices are subject to a market mechanism that varies depending on supply and demand.

The hydroelectric power stations had excellent water flows in the first quarter of 2006, which will have a positive impact on the rest of the year. Boralex notes, however, that the first quarter performance is not part of a trend. The power stations do not have reservoirs, so they should be generating at levels in line with their historic averages for the remainder of 2006.

As a result, with the recent investments in the wind power sector, management expects that revenue, profits and cash flows from operations will grow in 2006. This should allow it to meet its regular cash flows needs, strengthen its financial position and pursue its other expansion projects. Boralex does not plan, in the short term, to pay dividends on its Class A shares because its policy is to reserve its cash assets for its growth projects.

The longer-term outlook for Boralex is also positive, given the quality and diversification of its asset base and its expertise in generating green and renewable energy, which is part of a growing trend worldwide, particularly since the sharp rise in fossil fuel prices has made alternative power generation more economically attractive. In addition, Boralex's 23% share in the Fund assures it stable and predictable cash flows. Overall, Boralex will continue to judiciously exploit the opportunities that arise in its fields of expertise, while paying close attention to the responsible management of operating costs and business risks.

Capital Stock Information

As at March 31, 2006, the issued and outstanding capital stock of Boralex consisted of 30,013,098 Class A shares (29,989,398 as at December 31, 2005). The number of share purchase options exercised in the first quarter of 2006 was 23,700. As at May 11, 2006, the number of share purchase options outstanding was 1,010,634, of which 419,004 could be exercised.

Financial Instruments

There has been no significant change in the Corporation's risk management strategy since December 31, 2005.

Market risk

As at March 31, 2006, Boralex held three electricity-related financial swaps for periods of 2 to 36 months, for total deliveries of 147,888 MWh. The estimated favourable fair value of these contracts is US$184,000 ($215,000).

Interest rate risk

As at March 31, 2006, Boralex held interest rate swaps to cover its variable rate debt in France. The total notional amount of swaps in effect at that date is €90,518,000 ($128,255,000). The estimated favourable fair value of these instruments is €450,000 ($638,000).

Related Party Transactions

In addition to holding 23.3% of the Fund's trust units, the Corporation is linked to the Fund, through one of its wholly owned subsidiaries, by long-term management and administration contracts. For the three months ended March 31, 2006, these agreements generated 3% of Boralex's total revenue (4% in 2005), while its share of the Fund's results represented 8% (9% in 2005). Furthermore, Boralex has received distributions from the Fund of $3.1 million in the first quarter of 2006 ($3.1 million in 2005).

One of Boralex's power stations in France supplies steam to Norampac Inc., which is 50% owned by Cascades Inc. Cascades is a company that has considerable influence over Boralex, since it holds 43% of its share capital. For the first quarter of 2006, revenue from Norampac amounted to $2.3 million ($2.4 million in 2005).

The Corporation also has a management contract for a power station controlled by one of its directors and officers. For the three months ended March 31, 2006, revenue from this contract amounted to $0.1 million ($0.1 million in 2005).

New Accounting Standards to be Adopted in Future Years

Financial instruments, hedging, equity and comprehensive income

In January 2005, CICA published four new sections: Section 1530 "*Comprehensive Income*"; Section 3251 "*Equity*"; Section 3855 "*Financial Instruments - Recognition and Measurement*" and Section 3865 "*Hedges*". These new standards regarding recognition and measurement of financial instruments, hedging and comprehensive income have been created to harmonize with the generally accepted accounting policies already used in the United States. The Corporation must adopt the new standards no later than the period starting January 1, 2007, but early adoption is accepted. The Corporation is presently evaluating the impact of these new standards on its financial position and results of operations.

Risks and Uncertainties

The Corporation has not observed any material change with regard to the risks and uncertainties to which it is exposed, as described in the "*Risks and Uncertainties*" section of Management's Discussion and Analysis included in its Annual Report for the year ended December 31, 2005.

Additional Information

Additional information about the Corporation, including its latest Annual Report and Annual Information Form, 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 March 31, 2006 and 2005 were not reviewed by our auditors PricewaterhouseCoopers s.r.l. 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)

	Note	**As at March 31 2006**	As at December 31 2005
Assets		(unaudited)	(audited)
Current assets			
Cash and cash equivalents		16,226	10,615
Accounts receivable		26,655	26,006
Inventories		3,505	5,232
Prepaid expenses		3,219	1,955
Future income taxes		4,766	7,979
		54,371	51,787
Investment		78,398	77,997
Property, plant and equipment		269,643	262,460
Electricity sale contracts		17,511	16,814
Other assets	5	29,937	20,457
		449,860	429 ,515
Liabilities			
Current liabilities			
Bank loans and advances	6	-	1,215
Accounts payable and accrued liabilities		21,043	28,608
Income taxes		2,958	2,787
Current portion of long-term debt	6	41,275	37,802
		65,276	70,412
Long-term debt	6	182,729	164,832
Future income taxes		27,044	28,026
Non-controlling interests		1,117	1,034
		276,166	264,304
Shareholders' equity			
Capital stock	3,4	111,892	111,686
Retained earnings		91,797	84,188
Cumulative translation adjustments		(29,995)	(30,663)
		173,694	165,211
		449,860	429,515

See accompanying notes

Consolidated statements of earnings

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

		For the quarters ended March 31	
	Note	**2006**	2005
Revenue from energy sales		37,101	31,018
Renewable energy tax credit		2,955	-
Operating costs		26,167	22,455
		13,889	8,563
Share in earnings of the Fund		3,585	3,105
Management revenue from the Fund		1,356	1,356
Other revenue		2,441	124
		21,271	13,148
Expenses			
Management and operation of the Fund		1,023	1,013
Administration		2,667	2,735
		3,690	3,748
Earnings before the following		17,581	9,400
Other expenses			
Amortization		4,620	2,376
Financial expenses		2,781	1,334
		7,401	3,710
Earnings before income taxes		10,180	5,690
Income tax expense		2,500	2,200
		7,680	3,490
Non-controlling interests		(71)	(81)
Net earnings		7,609	3,409
Net earnings per class A share (basic and diluted)		$0.25	$0.11
Weighted average number of class A shares outstanding		29,997,561	29,986,663

See accompanying notes

Consolidated statements of retained earnings

(in thousands of dollars)
(unaudited)

	For the quarters ended March 31	
	2006	2005
Balance - beginning of period, as previously reported	84,188	63,419
Share of a change in accounting policy of the Fund	-	(319)
Balance - beginning of period, restated	84,188	63,100
Net earnings	7,609	3,409
Balance - end of period	91,797	66,509

See accompanying notes

Consolidated statements of cash flows

(in thousands of dollars)
(unaudited)

	Note	For the quarters ended March 31 **2006**	2005
Operating activities			
Net earnings		7,609	3,409
Distributions received from the Fund		3,098	3,098
Items not affecting cash:			
Share in earnings of the Fund		(3,585)	(3,105)
Amortization		4,620	2,376
Amortization of deferred financing costs		144	52
Future income taxes		2,180	2,013
Renewable energy tax credit		(2,955)	-
Non-controlling interests		71	81
Others		141	60
Cash flows from operations		11,323	7,984
Net change in non-cash working capital balances		(7,718)	(14,470)
		3,605	(6,486)
Investing activities			
Purchase of property, plant and equipment		(8,150)	(6,778)
Other assets		(5,441)	(712)
Proceeds on disposal of property, plant and equipment		-	400
		(13,591)	(7,090)
Financing activities			
Bank loans and advances	6	(42,012)	6,292
Increase in long-term debt	6	59,896	7,736
Payments of long-term debt		(2,067)	(1,441)
Financing costs		(717)	(6)
Net proceeds on issuance of shares		84	-
		15,184	12,581
Translation adjustments on cash and cash equivalents		413	(20)
Net change in cash and cash equivalents		5,611	(1,015)
Cash and cash equivalents - beginning of period		10,615	5,442
Cash and cash equivalents - end of period		16,226	4,427
SUPPLEMENTAL DISCLOSURE			
Cash and cash equivalents paid for:			
Financial expenses		2,635	1,158
Income taxes		334	368

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 following the same accounting policies as the ones used in the latest audited consolidated financial statements. These unaudited interim consolidated financial statements and notes should be read in conjunction with the Corporation's audited consolidated financial statements as at December 31, 2005.

Note 2 - Measurement uncertainty

Following the adoption, during the second quarter of 2005, of the accounting policy regarding tax credits, Boralex now records renewable energy tax credits when it possesses a reasonable assurance that they can be recovered. 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 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.

Finally, the remaining 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 3 - Share information

As at March 31, 2006 the capital stock issued and outstanding consisted of 31,013,098 Class A shares (29,989,398 as at December 31, 2005). During the three-month period ending March 31, 2006, 23 700 options were exercised. Finally, no option has been granted during this period.

Note 4 - 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 $120,000 has been recorded as administration cost to account for the cost of stock options, for the three-month period ended March 31, 2006 ($44,000 in 2005).

The following assumptions were used to estimate the fair value, at the date of grant, of each option issued to employees after October 1, 2002:

	2005
Risk-free interest rate	3.85%
Expected dividend yield	0%
Expected life of options	5 years
Expected volatility	45%

Notes to interim consolidated financial statements
(tabular amounts in thousands of dollars, unless otherwise specified)
(unaudited)

Note 5 - Other assets

	March 31 2006	December 31 2005
Renewable energy tax credits	13,623	10,625
Net investment in lease financings	4,466	4,114
Deferred financing costs	2,685	2,060
Deferred costs	468	671
CO_2 quota	1,056	717
Restricted funds and other funds held in trust	6,895	1,636
Investments	87	85
Project development costs	657	549
	29,937	20,457

a) Amortization of deferred costs was $18,000 for the three months ended March 31,2006 ($156,000 for the twelve months ended December 31, 2005). Amortization of deferred financing costs was $144,000 for the three months ended March 31,2006 ($477,000 for the twelve months ended December 31, 2005). The other items are not subject to amortization.

b) The Corporation has recorded during the 2 last years an amount of $13,623,000 (of which $2,998,000 during the 1st quarter of 2006) of renewable energy tax credits that can be used against US federal income tax during the course of the next 20 fiscal years. These credits are awarded for producing electricity by using wood-residues as the source of fuel, since January 1st, 2005.

c) During the 1st quarter of 2006, the Company reserved an amount of €3,437,000 ($4,869,000), as required under the financing of Massif Central.

Note 6 - Long-term debt

	Note	Rate (1)	March 31 2006	December 31 2005
Revolving credit bearing interest at a variable rate	a)	5.91%	44,390	40,797
Secured credit with a balance of €15,725,000 as at March 31, 2006 (€15,725,000 in 2005), bearing interest at a variable rate and maturing June 30, 2006	b)	2.96%	22,349	21,775
Secured senior credits with a balance of €88,060,000 as at March 31, 2006 (€79,578,000 in 2005), repayable in semi-annual instalments and maturing between 2017 and 2020	c)	4.99%	124,772	109,857
Secured junior credit with a balance of €4,041,000 as at March 31, 2006 (€2,300,000 in 2005), repayable in semi-annual instalments and maturing in 2015	c)	6.45%	5,726	3,175
Project leases with a balance of €13,221,000 as at March 31, 2006 (€13,585,000 in 2005), repayable in quarterly instalments and maturing between 2012 and 2015	d)	5.48%	18,733	18,755
Term loan bearing interest at a variable rate with a balance of US$4,896,000 as at March 31, 2006 (US$5,096,000 in 2005), repayable in quarterly instalments and maturing May 1, 2007	e)	6.00%	5,715	5,942
Others			2,319	2,333
			224,004	202,634
Less:				
Current portion of long-term debt			41,275	37,802
			182,729	164,832

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

Notes to interim consolidated financial statements

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

Note 6 - Long-term debt (continued)

a) On January 27, 2006, Boralex announced that it had concluded a long-term refinancing agreement of $85 million, replacing the original $65 million revolving credit issued in 2004. The new arrangement consists of a three-year revolving credit, with two one-year options to renew. Like the previous facility, the new financing is guaranteed by Boralex's investment in the Fund, to a limit based on the market value of the Fund's trust units. The amounts borrowed may therefore not exceed a certain percentage of the market value of the investment, or the lenders can recall a portion of the amounts borrowed. The instrument bears variable interest at bankers' acceptance rate, adjusted by a margin that varies depending on the ratio of debt coverage by the investment in the Fund.

As at March 31, 2006 in order to secure some transactions including the credit discussed in b), the Company has issued letters of credit for a total of $24,282,000 against this credit.

b) This credit is secured by a letter of credit of $22,972,000, as previously mentioned. Boralex intends to refinance this credit on a long-term basis, but it has been included in current liabilities due to its current maturity date.

c) The Company finances a significant portion of the development and construction of its wind power sites with senior and junior secured credit. Accordingly, on July 22, 2005, Boralex entered into a major master credit agreement of €190,000,000, including a €150,000,000 senior credit facility, a €10,000,000 junior credit arrangement, and €30,000,000 to finance amounts that will be recoverable in the short term from the French Trésor Public. These funds will be available for the development of new wind power projects, subject to certain conditions. Each project will have separate financing defined by its own contract. Interest will be at a variable rate based on the EURIBOR rate plus a margin. This credit will be available until December 31, 2008. As at march 31, 2006, an amount of €160,329,000 ($227,170,000) is available on this credit agreement.

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 capital assets covered by these leases is $25,334,000 ($27,567,000 as at December 31, 2005).

e) During the 1st quarter of 2006, this term loan has been extended for an additional period of one year under to the same conditions, deferring it's maturity until at May 1st, 2007.

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 Company has entered into interest rate swaps to obtain fixed interest charges on portions of 50% 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 Company receives a variable amount based on the EURIBOR rate and pays fixed amounts based on rates of between 3.48% and 3.85%. Since the credit is drawn progressively and the loans are periodically repaid when sites are commissioned, the swaps have been structured to mirror the terms of the underlying credit arrangements and to always cover a significant portion of these arrangements. By using these swap instruments, the Company has reduced the proportion of its variable-rate debt from 87% to 37%.

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 $165,224,000 as at March 31, 2006 ($161,288,000 as at December 31, 2005), 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:

2007	41,275
2008	10,536
2009	10,696
2010	55,009
2011	10,689

Notes to interim consolidated financial statements

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

Note 7 - Financial instruments

A large part of Boralex's debt bears interest at a variable rate. As at March 31, 2006, variable rate debt accounted for around 87% of the total indebtedness. Bank loans and advances also bear variable interest rates. If those rates should increase significantly in the future, this could affect the amounts of liquidities available to develop new projects. As discussed in note 6, the use of interest rate swaps enables Boralex to reduce its exposure to interest rate volatility by reducing its exposure to that risk from 87% to 37%. As at March 31, 2006, the notional amount of those swaps was $128,255,000 (€90,518,000) and their favourable fair value stood at $638,000 (€450,000).

As at March 31, 2006, Boralex had also signed three electricity price swaps for total deliveries of 147,888 MWh and for periods covering from 2 to 36 months. All these swaps were designated as hedges of future variable cash flows related to the delivery of electricity. Their favourable fair value as at that date was $215,000 and they are eligible for hedge accounting.

Note 8 - 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 Quebec 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 contract. This is the case for the two hydroelectric stations in Quebec, one in the US, the natural gas cogeneration plant at Blendecques in France and all the wind farms.

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

Note 9- Comparative figures

Some comparative figures have been reclassified in order to conform to the current period's presentation.

Note 10 - Segmented information

The Corporation's power stations are grouped under four distinct segments: hydroelectric power, wood-residue thermal power, natural gas thermal power and wind 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.

Notes to interim consolidated financial statements
(tabular amounts in thousands of dollars, unless otherwise specified)
(unaudited)

Note 10 - Segmented information (continued)

Information by segment

	For the quarters ended March 31	
	2006	2005
PRODUCTION (in MWh)		
Hydroelectric power stations	40,763	33,445
Wood-residue thermal power stations	284,417	264,244
Natural gas thermal power station	22,649	22,384
Wind power stations	46,530	15,002
	394,359	335,075
REVENUE FROM ENERGY SALES		
Hydroelectric power stations	3,594	2,699
Wood-residue thermal power stations	22,248	20,516
Natural gas thermal power station	5,685	5,739
Wind power stations	5,574	2,064
	37,101	31,018
EBITDA (1)		
Hydroelectric power stations	2,563	2,284
Wood-residue thermal power stations	4,247	2,040
Natural gas thermal power station	3,503	1,432
Wind power stations	4,511	1,646
Corporate and eliminations	2,757	1,998
	17,581	9,400
PURCHASE OF PROPERTY, PLANT AND EQUIPMENT		
Hydroelectric power stations	18	2
Wood-residue thermal power stations	2,076	3,420
Natural gas thermal power station	-	129
Wind power stations	5,982	3,174
Corporate and eliminations	74	53
	8,150	6,778

(1) The following table reconciles EBITDA to net earnings

	2006	2005
Net earnings	7,609	3,409
Non-controlling interests	71	81
Income tax expense	2,500	2,200
Financial expenses	2,781	1,334
Amortization	4,620	2,376
Consolidated EBITDA	17,581	9,400

	March 31 2006	December 31 2005
ASSETS		
Hydroelectric power stations	20,465	20,762
Wood-residue thermal power stations	116,796	128,287
Natural gas thermal power station	21,932	18,258
Wind power stations	187,629	175,940
Corporate and eliminations	103,038	86,268
	449,860	429,515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