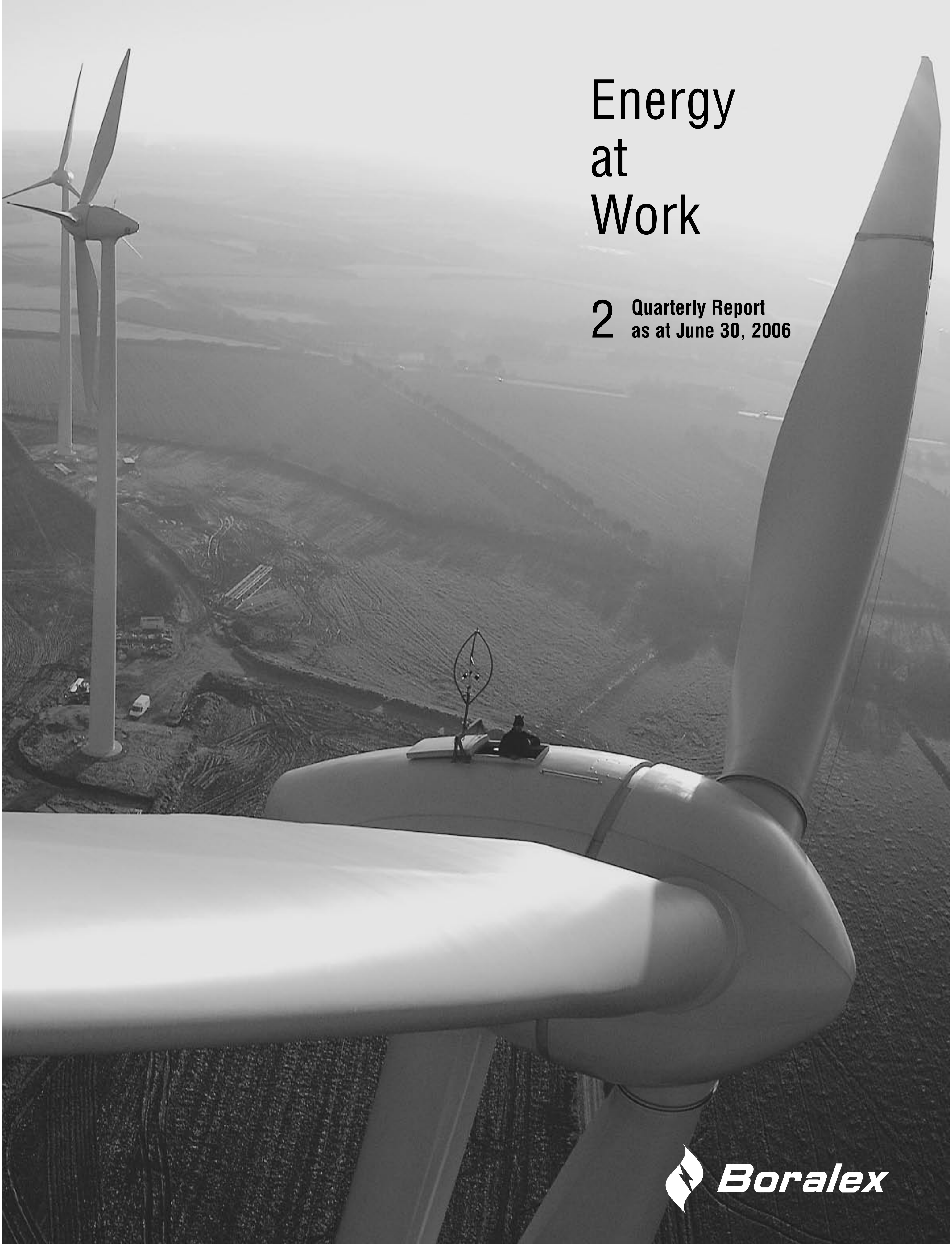


Energy at Work

2 **Quarterly Report as at June 30, 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 277 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 Quebec to respond, initially, to the call for tenders issued by Hydro-Québec for 2000 MW slated for May 2007; and

- 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 June 30, 2006

Introductory Comments

General

This report discusses the operating results and cash flows for the three-month and six-month periods ended June 30, 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 August 9, 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. Unless required by the securities commissions, the 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 generally at their maximum in the spring and good in the fall, which correspond to Boralex's second and fourth quarters. Historically, flows tend to decrease in the winter and summer. Note that Boralex's hydroelectric facilities do not have reservoirs that can be used to regulate 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, one hydroelectric in the US and all of the Corporation's facilities in France.

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)

	Three-month periods ended June 30		Six-month periods ended June 30	
Financial Performance	**2006**	2005	**2006**	2005
Revenue from energy sales				
Hydroelectric power stations	2,693	2,627	6,287	5,326
Wood-residue thermal power stations	11,001	14,458	33,249	34,974
Natural gas power station	1,904	2,058	7,589	7,797
Wind power sites	5,221	1,271	10,795	3,335
	20,819	20,414	57,920	51,432
EBITDA				
Hydroelectric power stations	2,129	1,979	4,692	4,263
Wood-residue thermal power stations	(2,767)	4,447	1,480	6,487
Natural gas power station	344	666	3,847	2,098
Wind power sites	4,457	1,054	8,968	2,700
Corporate and eliminations	746	589	3,503	2,587
	4,909	8,735	22,490	18,135
Net earnings	1,483	5,588	9,092	8,997
Per share (in dollars)	0.05	0.19	0.30	0.30
Weighted average number of shares outstanding	30,038,064	29,986,663	30,017,924	29,986,663

Financial Position	**As at June 30 2006**	As at December 31 2005
Total assets	439,669	429,515
Total debt*	223,635	203,849
Shareholders' equity	168,907	165,211

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

Historical Average Hydroelectric Power Generation (MWh)*	**2006**
Second quarter	34,702
Six-month period ended June 30	67,399
Annual	109,761

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

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:

	Three-month periods ended June 30		Six-month periods ended June 30	
(in thousands of dollars)	**2006**	2005	**2006**	2005
Net earnings	1,483	5,588	9,092	8,997
Non-controlling interests	66	106	137	187
Income tax expense (recovery)	(4,278)	(225)	(1,778)	1,975
Financial expense	2,897	830	5,678	2,164
Amortization	4,741	2,436	9,361	4,812
EBITDA	4,909	8,735	22,490	18,135

Operating Results for the Three-Month Period ended June 30, 2006

Analysis of major variances:

(in millions of dollars)	Revenue from energy sales	EBITDA
June 30, 2005	20.4	8.7
Start-ups	4.0	3.4
RECs	(1.9)	(1.9)
Volume	(0.4)	0.4
Pricing	1.1	1.1
CO_2 quota	-	(0.3)
Translation of foreign operations	(2.1)	(0.3)
Tax credits	-	(2.8)
Fuel costs	-	(2.4)
Maintenance	-	(0.5)
Other	(0.3)	(0.5)
June 30, 2006	20.8	4.9

Revenue from energy sales

Revenue from energy sales rose to $20.8 million during the three months ended June 30, 2006, up 2% over revenue of $20.4 million for the same period in 2005. The increase in the Canadian dollar versus the U.S. dollar and the euro had a negative impact of $2.1 million on 2006 revenue, otherwise growth would have been 12%.

Revenue growth stems mainly from the following:

- 10% increase in production volume for a total of 254,865 megawatthours ("MWh") in 2006, compared to 231,626 MWh in 2005. This increase, which generated additional revenue of about $3.6 million, is the result of the start-up of the Massif Central and Plouguin wind power sites in France, as well as higher hydroelectric generation due to good hydrologic conditions; and
- an increase of about 5% 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 $1.1 million compared to 2005.

However, Boralex's revenues were negatively impacted by the following factors:

- extended downtime at Stratton that resulted in lower power generation in the wood-residue segment, as well as lower sales of renewable energy credits ("RECs"); and
- the rise in the Canadian dollar.

Other Revenue

Boralex reported $4.4 million in revenue other than energy revenue in the second quarter of 2006, compared to $4.6 million in 2005. The $0.2 million decrease is mainly related to lower revenue from CO_2 quota sales, since most of the excess quota was sold in the first quarter of 2006, whereas in 2005 quota sales started in the second quarter. However, the shortfall was partially offset by a $0.2 million increase in Boralex's share of the Fund's results, due to superior hydrologic conditions in 2006.

EBITDA

Consolidated EBITDA for the second quarter of 2006 amounted to $4.9 million, down $3.8 million compared to EBITDA for the second quarter of 2005. The decrease stems mainly from the following factors:

- a $2.8 million reduction in renewable energy tax credits (note that when the program was introduced in 2005, all credits earned in the first six months were recorded in the second quarter, which increased the amount by about $2.9 million);

- lower income from the sale of RECs and higher maintenance costs caused by the extended downtime at Stratton during the quarter, which reduced EBITDA by $2.4 million;

- higher fuel costs, which had a negative impact of $2.4 million on EBITDA; about $2 million of that amount was incurred by the wood-residue thermal power stations and the balance by the natural gas power station; and

- the rise in the Canadian dollar as well as certain non-recurring revenue reported in 2005, which reduced EBITDA by $0.8 million.

However, the higher selling prices and start-ups of the Massif Central and Plouguin sites added $4.5 million to EBITDA.

(A more detailed analysis of changes in revenue and EBITDA in the different segments is presented in "Segmented Results for the Three- and Six-Month Periods Ended June 30, 2006".)

Amortization, Financial Expenses and Earnings (Loss) Before Income Taxes

Amortization expense in the second quarter of 2006 totaled $4.7 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.

Financial expenses increased $2.1 million to $2.9 million in the second quarter of 2006, due to two main factors:

- start-up of the Massif Central and Plouguin sites, which required additional debt of close to $144 million at interest rates of about 5%; and

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

As a result, Boralex registered a pre-tax loss of $2.7 million in the second quarter of 2006, compared to pre-tax earnings of $5.5 million for the same period in 2005.

Income Tax Recovery

In the second quarter of 2006, Boralex recorded tax recovery of $4.3 million. This amount, in addition to a provision at a combined rate of about 35% on the pre-tax loss (before renewable energy tax credits), also includes a positive adjustment of $2.7 million related to the decrease of Canadian federal income tax rates, and an adjustment of reserves related to potential tax risks that did not materialize.

Net Earnings

In the second quarter of 2006, Boralex posted net earnings of $1.5 million, or $0.05 per share, compared to $5.6 million, or $0.19 per share, in the second quarter of 2005. The weighted average number of shares outstanding remained the same for both periods at 30 million shares.

In summary, despite the increase in revenue and profitability stemming from the expansion in the wind power segment, good hydrologic conditions and higher electricity selling prices in the United States, second quarter results were mainly affected by two factors:

- **higher fuel supply costs, primarily in the wood-residue segment; and, above all**

- **a non-recurring major event, a serious mechanical breakdown, that resulted in extended downtime at the Stratton wood-residue thermal power station.**

Stratton has started up again and Boralex has implemented preventive measures to ensure this kind of event does not happen again. This, combined with the Corporation's good performance overall, particularly in the wind power segment, should improve results in future quarters.

Operating Results for the Six-Month Period Ended June 30, 2006

Analysis of major variances:

(in millions of dollars)	Revenue from energy sales	EBITDA
June 30, 2005	51.4	18.1
Start-ups	8.0	6.7
RECs	(2.8)	(2.8)
Volume	1.1	1.1
Price	5.0	5.0
CO_2 quota	-	2.0
Translation of foreign operations	(4.5)	(0.9)
Fuel costs	-	(6.5)
Results related to the Fund	-	0.6
Administration	-	(0.8)
Other	(0.3)	-
June 30, 2006	57.9	22.5

Revenue from energy sales

Revenue from energy sales rose 13% to $57.9 million during the six months ended June 30, 2006, compared to $51.4 million for the same period in 2005. The increase in the Canadian dollar versus the U.S. dollar and euro had a negative impact of $4.5 million on 2006 revenue, otherwise growth would have been close to 21%.

Revenue growth stems mainly from the following:

- 15% increase in production volume for a total of 649,224 MWh in 2006 compared to 566,701 MWh in 2005. This increase, which generated additional revenue of about $9.1 million, is the result of the start-up of the Massif Central and Plouguin wind power sites in France, as well as higher hydroelectric power generation related to good hydrologic conditions; and

- an increase of about 10% 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 $5 million compared to 2005.

However, revenue from the sale of RECs dropped $2.8 million versus sales in 2005 due to the extended downtime at Stratton in the second quarter of 2006 and current conditions in this market.

Other Revenue

Boralex reported $11.8 million in revenue other than energy sales in the first semester of 2006, compared to $9.1 million in 2005. The increase of $2.7 million or 30% stems mainly from two factors:

- the sale by the Blendecques natural gas plant of all of its excess CO_2 quota in the first half of 2006, whereas in 2005, only part of the excess quota was sold; and

- an increase of $0.7 million in the share of the Fund's results due to the superior hydrologic conditions in 2006.

EBITDA

Consolidated EBITDA for the first half of 2006 amounted to $22.5 million, up 24% compared to 2005. This performance is due mainly to the following:

- higher selling prices, which added $5 million to consolidated EBITDA;

- $2 million additional revenue from the sale of excess CO_2 quota;

- start-ups at the Massif Central and Plouguin wind power sites, which added $6.7 million to EBITDA; and

- higher production volume at the hydroelectric power stations, which added $1 million to EBITDA.

However, higher fuel costs had a negative $6.5 million impact on EBITDA. About $5.3 million of that amount was for the wood-residue thermal power stations, and the remainder for the natural gas power station. Thus, as mentioned above, the lower REC sales reduced EBITDA by $2.8 million. Excluding the $0.5 million favorable adjustment recorded in 2005, administrative expense increased $0.3 million, stemming mainly from additional costs incurred by the Corporation to comply with new legislation introduced by financial market regulators.

(A more detailed analysis of changes in revenue and EBITDA in the different segments is presented in "Segmented Results for the Three- and Six-Month Periods Ended June 30, 2006").

Amortization, Financial Expenses and Earnings Before Income Taxes

Amortization expense in the first half of 2006 totaled $9.4 million compared to $4.8 million in 2005, primarily due to the investments of the past 12 months, including the start-ups of the Massif Central and Plouguin wind farms, as well as the investments made in 2005 to improve productivity at the wood-residue thermal power stations. For the same reason, financial expenses rose $3.5 million to $5.7 million in 2006.

As a result, Boralex reported earnings before income taxes of $7.5 million in 2006, compared to $11.2 million in 2005.

Income Tax Expense (Recovery)

In the first half of 2006, Boralex recovered income taxes of $1.8 million. As discussed above, this amount includes two positive adjustments in the second quarter of 2006. Excluding these items and renewable energy tax credits, the consolidated tax rate was about 35%.

Net Earnings

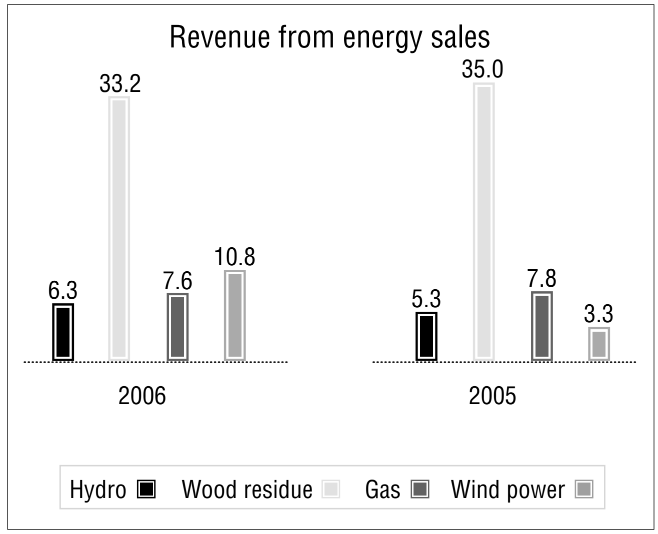
For the first six months of 2006, Boralex posted net earnings of $9.1 million, or $0.30 per share, compared to $9 million or $0.30 in 2005. The weighted average number of share outstanding remained the same for both periods at 30 million.

In summary, the excellent results of the first quarter were mitigated by difficulties in the second quarter, principally the extended shutdown at Stratton and higher fuel supply costs. Boralex's operating results are, however, up over last year, mainly due to its strong expansion in the wind power sector and good overall productivity. In conjunction with its various development projects, results should continue to improve in future quarters.

Segmented Results for the Three- and Six-Month Periods Ended June 30, 2006

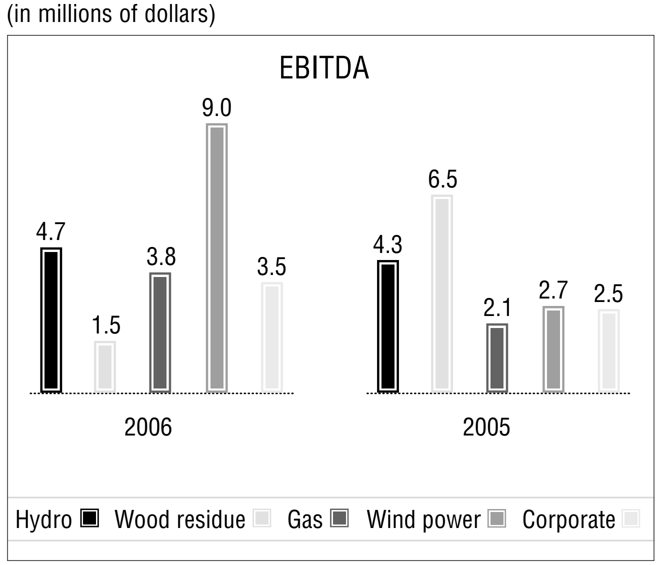
Distribution by segment
(cumulative results for the first six months of 2006)

(in millions of dollars)



In 2006, due to the Massif Central and Plouguin start-ups, which added combined capacity of 65 MW, the wind power segment more than tripled its contribution to consolidated revenue, from 6% to 19%. This expansion increases Boralex's diversification.

(in millions of dollars)



The new wind farms also increased this segments contribution to EBITDA, which rose from 15% in 2005 to 40% in 2006.

Hydroelectric power stations

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, 2005	2.6	2.0	5.3	4.3
Volume	0.4	0.4	1.0	1.0
Pricing	(0.1)	(0.1)	0.3	0.3
Translation of U.S. operations	(0.2)	(0.2)	(0.4)	(0.3)
Non-recurring items	-	-	-	(0.4)
Other	-	-	0.1	(0.2)
June 30, 2006	2.7	2.1	6.3	4.7

Three-month period

For the three months ended June 30, 2006, Boralex's hydroelectric segment reported revenue of $2.7 million, compared to $2.6 million in 2005. The increase stems from better hydrologic conditions, which were partially offset by slightly lower average selling prices and the rise in the Canadian dollar. During the quarter, power stations generated 37,027 MWh, compared to 31,108 MWh in the corresponding quarter in 2005. Generation in the second quarter exceeded that of 2005 by 19%, and was higher than historical averages by close to 7%. For the same reasons, the quarterly EBITDA totaled $2.1 million, up $0.1 million over the $2 million reported for the same period in 2005.

Six-month period

Revenue rose $1 million to $6.3 million, mainly due to better hydrologic conditions than in 2005. The positive impact of higher selling prices on the U.S. market was cancelled out by the increase in the Canadian dollar. For the first six months of 2006, generation amounted to 77,790 MWh, compared to 64,553 MWh in 2005, an increase of 21%. Also, generation in 2006 has exceeded the historical average by about 15%.

EBITDA for this segment rose to $4.7 million, up 9% over EBITDA for the same period in 2005. Note that in the first quarter of 2005, Boralex posted certain adjustments that increased EBITDA by $0.4 million. Excluding those adjustments and the higher Canadian dollar, EBITDA growth would have been more than 25%.

Wood-residue thermal power stations

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, 2005	14.5	4.4	35.0	6.5
RECs	(1.9)	(1.9)	(2.8)	(2.8)
Volume	(0.6)	(0.2)	0.9	0.2
Pricing	0.7	0.7	3.1	3.1
Translation of U.S. operations	(1.6)	(0.1)	(2.8)	(0.2)
Tax credits	-	(2.8)	-	0.2
Fuel costs	-	(2.0)	-	(5.3)
Maintenance	-	(0.4)	-	-
Other	(0.1)	(0.5)	(0.2)	(0.2)
June 30, 2006	11.0	(2.8)	33.2	1.5

Three-month period

For the three months ended June 30, 2006, the wood-residue power stations recorded revenue of $11 million, down $3.5 million from revenue of $14.5 million for the same period in 2005. The five facilities generated a total of 174,378 MWh in 2006, down about 9% from 190,952 MWh in 2005. The decrease in revenue and generation is mainly due to the following factors:

- extended downtime at Stratton (discussed below); and
- the appreciation of the Canadian dollar.

Excluding the downtime at Stratton, the other power stations in this segment had higher generation rates than in 2005; these rates were not sufficient, however, to offset the lost volume. Generation at the four other power stations was up 26,290 MWh or close to 20%, mainly due to the renegotiated power sales contracts for Ashland and Fort Fairfield. Under the initial agreement, these plants had to stop producing power for extended periods in the second quarter. Furthermore, the extra power was sold at prices that more closely reflected current market prices in the region.

With regards to the Stratton power station, it suffered from failures in its boiler tubes during the second quarter. In such circumstances, the plant must be completely shut down. Including the shutdown for regular maintenance in the spring, Stratton was offline for almost 75 days in the second quarter. The Corporation is currently discussing this event with its insurers.

Because of this situation, it did not produce any RECs for the second quarter of 2006, since it did not meet the regulatory air emission requirements. In fact, when a plant is offline and then started up again, it takes several days to stabilize its emissions to meet regulatory requirements; Stratton's 16 days of operation were not sufficient to bring its emission levels below the required level.

Boralex cleaned and inspected all boiler tubes, identifying and replacing weak ones to prevent this type of problem from recurring. In addition, the scheduled five-year turbine maintenance was done during the spring shutdown, which should improve efficiency.

Although activity in the REC market shows some encouraging signs, management does not expect to be able to trade at prices as high as in 2005. In the Connecticut certificates market, supply currently exceeds demand, which is why Boralex has not signed any new contracts to deliver RECs. Boralex's projections for the Connecticut market indicate that the situation will change in 2007, when distributors will have to supply a higher percentage of renewable energy and demand will therefore exceed supply. The required percentage will rise to 7% in 2010, compared to 2% in 2006.

EBITDA for the wood-residue segment was down $7.2 million in the second quarter of 2006 compared to the same quarter in 2005. This change is mainly due to the following:

- a $3.4 million decrease in EBITDA due to the combined impact of loss of marginal contribution, loss of RECs revenue, and extra maintenance costs from the extended Stratton shutdown;
- the recording, in the second quarter of 2005, of tax credits accumulated during the first six months of the year, doubling the amount of credits registered in that quarter, and which had produced a non-recurring positive impact of about $2.8 million on EBITDA for the period; and
- a $2 million increase in fuel supply costs. The higher wood-residue costs are linked to several factors. First, increases in 2005 were maintained in the second quarter of 2006. Second, given current diesel oil prices, the cost of transporting the wood residues is higher than it was in 2005. Lastly, due to a high level of precipitation during the quarter, the wood residues yielded lower heat content.

On the other hand, the higher prices in the open electricity market raised this segment's EBITDA by $0.7 million.

Six-month period

For the six months ended June 30, 2006, revenue amounted to $33.2 million, compared to $35 million for the same period in 2005. Excluding the impact of the higher Canadian dollar, which decreased revenue by $2.8 million, revenue would have risen by 3%. The wood-residue segment generated a total of 458,795 MWh in 2006, compared to 455,196 MWh in 2005, despite the downtime at Stratton as discussed above, which reduced power generation by close to 60,000 MWh and revenue by close to $4 million.

Notwithstanding the negative impact of currency fluctuations, the Stratton shutdown, and loss of income from RECs sales that resulted from the shutdown and an excess of supply over demand in the REC market in 2006, revenue benefited from the following positive factors:

- higher selling prices on the open U.S. market of about 10%, which increased revenue by $3.1 million;
- greater wood-residue availability, stemming from the supply strategies implemented by Boralex since 2004, which has allowed facilities to operate at a higher rate;
- greater availability of Ashland, which was in its running-in phase in 2005; and
- renegotiation of the power sales contracts for Ashland and Fort Fairfield, so that they can generate power for a longer period in the second quarter.

EBITDA for the wood-residue thermal power segment was down $5 million, from $6.5 million in 2005 to $1.5 million in 2006. The items described above that had a positive impact on revenue increased EBITDA by $0.5 million. However, the rise in the Canadian dollar reduced EBITDA by $0.2 million and higher wood-residue supply costs reduced it by a further $5.3 million, due to the same factors discussed in the three-month period analysis.

Natural gas cogeneration plant

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, 2005	2.1	0.7	7.8	2.1
Volume	(0.3)	0.1	(0.5)	0.1
Pricing	0.3	0.3	1.4	1.4
Translation of French operations	(0.1)	0.1	(0.9)	(0.1)
CO_2 quota	-	(0.3)	-	2.0
Natural gas cost	-	(0.4)	-	(1.2)
Other	(0.1)	(0.2)	(0.2)	(0.5)
June 30, 2006	1.9	0.3	7.6	3.8

Three-month period

For the three months ended June 30, 2006, revenue from energy sales at the Blendecques natural gas cogeneration plant amounted to $1.9 million, down $0.2 million from the same quarter in 2005, mainly due to a decrease in steam sales.

EBITDA for this facility was down $0.4 million to $0.3 million in the second quarter of 2006, mainly due to the lower revenue from sales of excess CO_2 quota. In 2005, the first quota sales of $1 million were recorded in the second quarter of 2005. In 2006, most transactions took place in the first quarter; only $0.7 million in revenue was recorded in the second quarter. Finally, the increase in the price of natural gas slightly exceeded the increase in the price of electricity, which also reduced EBITDA by $0.1 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.

Six-month period

For the six months ended June 30, 2006, revenue from energy sales at Blendecques amounted to $7.6 million, down $0.2 million from the same period in 2005. Excluding the rise in the Canadian dollar compared to the euro, revenue would have grown 9% due to higher electricity and steam prices.

EBITDA rose to $3.8 million, a strong increase over EBITDA of $2.1 million for the same period in 2005. This growth is largely due to the sales of excess CO_2 quota, which has generated $2 million more than in 2005 to date. Note that in the first six months of 2006, Blendecques sold all of its excess quota for 2006 as well as the residual excess quota from 2005. The positive impact of higher selling prices was largely offset by the increase in natural gas costs. Lastly, due to greater profitability, the share of the steam customer increased by about $0.3 million.

Wind power sites

Analysis of major variances:

(in millions of dollars)	Three-month period: Revenue from energy sales	Three-month period: EBITDA	Six-month period: Revenue from energy sales	Six-month period: EBITDA
June 30, 2005	1.3	1.1	3.3	2.7
Start-ups	4.0	3.4	8.0	6.7
Volume	0.1	0.1	(0.3)	(0.3)
Translation of French operations	(0.1)	(0.1)	(0.4)	(0.3)
Other	(0.1)	-	0.2	0.2
June 30, 2006	5.2	4.5	10.8	9.0

Three-month period

For the three months ended June 30, 2006, revenue in the wind power segment amounted to $5.2 million, up $3.9 million over revenue of $1.3 million in 2005. In total, the wind turbines generated 43,430 MWh compared to 9,479 MWh for the same period in 2005. This significant growth is related to the recent start-ups of the Massif Central (57 MW) and Plouguin (8 MW) sites. One of the Massif Central sites had low productivity early in the quarter due to equipment manufacturing defects. However, the supplier paid the Corporation for 100% of the production losses incurred. Corrective measures were implemented and equipment operation now meets expectations. For the existing sites of Nibas, Chépy and Avignonet, wind power conditions were better than last year, leading to a positive difference compared to 2005. As a result of all these factors, the segment recorded an EBITDA of $4.5 million, a major increase of $3.4 million over the same period in 2005.

Development of St-Agrève (12 MW), acquired in December 2005, continues. Start-up is slated for the first quarter of 2007.

Six-month period

For the six months ended June 30, 2006, wind power segment revenue rose to $10.8 million, up $7.5 million over revenue of $3.3 million reported in 2005. With the addition of the Massif Central and Plouguin sites, wind turbines generated 89,960 MWh, compared to 24,481 MWh for the same period in 2005. In the first quarter of 2006, the Massif Central sites had a slower-than-expected start because of equipment manufacturing defects and more intense icing than normal. As mentioned above, the Corporation did not incur significant additional costs because the manufacturer paid compensation for the lost power generation. Since the beginning of the year, wind conditions were weaker than in 2005 for the existing sites of Nibas, Chépy and Avignonet. Despite the negative $0.3 million impact of lower volume on EBITDA, the new site start-ups raised EBITDA to $9 million, up $6.3 million over the same period in 2005.

Principal Cash Flows for the Three- and Six-Month Period Ended June 30, 2006

Operating activities

For the second quarter of 2006, Boralex's cash flows related to operating activities before net change in non-cash working capital ("cash flows from operations") amounted to $1.9 million compared to $4.5 million in 2005. The decrease is due primarily to lower profitability in the wood-residue segment, which, as discussed above, suffered from an unexpected and extended shutdown period at Stratton. The improved performance of the other segments could not compensate for this event. The change in non-cash working capital items generated cash assets of $4.1 million compared to $1.6 million for the same period in 2005. In 2005, the $2.2 million in RECs revenue recorded in the second quarter was only received in the third quarter, which increased use of working capital. Operating activities thus produced net cash flows of $6.1 million in 2006, similar to 2005.

For the first six months of 2006, Boralex's cash flow from operations rose to $13.3 million compared to $12.5 million in 2005. This improvement stems mainly from the addition of the Massif Central and Plouguin sites, and better productivity at the natural gas cogeneration plant, two factors which more than offset the lower results of the wood-residue facilities following the extended shutdown of Stratton. The change in non-cash working capital items required cash assets of $3.6 million compared to cash assets $12.9 million for the same period in 2005. These significant working capital outlays are mainly due to the payments required to start and complete various projects. In 2005, Boralex made final payments related to the Stratton RECs qualification and the final stages of the Nibas project. Boralex also began to build the Massif Central site and, for the first time, registered RECs revenue that would only be received in the third quarter of 2005. In 2006, Boralex made the final payments for construction of the Massif Central and Plouguin sites. Operating activities thus produced net cash flows of $9.7 million in 2006, compared to the $0.4 million required in 2005.

Investing activities

Since the beginning of 2006, Boralex has invested a net amount of $24.2 million, compared to $71.2 million the previous year. A large part of these investments, or about $14.6 million, was used to develop wind power in France, i.e., to acquire capital assets, buy out the minority shareholders of Massif Central and set aside reserves as required by the Massif Central agreement. The balance was invested in the wood-residue thermal power stations for the purchase of production equipment required for the spring maintenance work and mobile equipment ($8 million) and the purchase of equipment to be leased to suppliers ($1.2 million). In 2005, the Corporation invested in construction of the wind power sites at Massif Central ($43 million), and, for its wood-residue facilities, in regular maintenance ($3.5 million), the purchase of secondary systems to improve performance ($7.2 million) and, lastly, in the purchase of equipment to be leased to wood-residue suppliers. Acquisition of the Massif Central and Plouguin sites had required outlays of $16.4 million in 2005.

Financing activities

For the six months ended June 30, 2006, financing activities generated cash assets of $13.7 million, compared to $70 million in 2005.

The most important financing transaction since the start of 2006 was the refinancing of the revolving credit. 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 previous credit. In addition, Boralex started to make regular payments on its Massif Central and Plouguin debt, which is why repayments rose from $2.8 million in 2005 to $6.8 million this year. Boralex also drew the balance of its authorized loans for the Massif Central and Plouguin projects ($11.5 million), and started drawing on the funds authorized for the St-Agrève project ($6.6 million). Finally, $4.6 million has been drawn on the revolving credit since the start of 2006. In 2005 most of the increase in the long-term debt was due to the $60.4 million borrowed for the Massif Central project.

Lastly, since the start of 2006, Boralex has issued shares valued at $0.3 million, due to the exercise of options by employees.

In summary, total cash flows for the first half of 2006, net of translation adjustment on cash and cash equivalents, required $0.4 million in cash, leaving a balance of $10.2 million as at June 30, 2006.

Financial Position as at June 30, 2006

General
The changes in the financial position of Boralex between December 31, 2005 and June 30, 2006 primarily reflect the Corporation's expansion in the wind power segment, and its long-term debt financing.

Before the closing of the second quarter, Boralex obtained an extension to December 31, 2006 of its bridge loan of €15.8 million issued by a French bank to build the Massif Central sites. Furthermore, as at June 30, 2006, the Corporation had issued three letters of guarantee on its operating credit for a total of $25.2 million, mainly to guarantee the bridge loan. The Corporation is currently discussing the possibility of converting part of this bridge loan into long-term financing. At the end of the second quarter, the total amount borrowed on the Corporation's operating credit was thus $70.6 million, and it had an additional $14.4 million in borrowing capacity.

Assets
As at June 30, 2006, total assets amounted to $439.7 million compared to $429.5 million as at December 31, 2005. The $10.2 million increase is due primarily to the following:

- growth in the wind power segment, with investments in the first half of 2006 totaling $8.7 million ($14.6 million including cash reserved for debt service); and

- investments of $9.2 million in the wood-residue thermal power stations for spring maintenance work and equipment purchases. The Corporation also benefited from renewable energy tax credits amounting to $4.7 million for this segment.

On the other hand, the rise in the Canadian dollar versus the U.S. dollar led to a decrease of about $6 million in assets. Plus, the extended shutdown of Stratton not only resulted in lower receivables as at June 30, 2006, but also decreased short-term tax benefits, which had the effect of reducing assets by almost $7.2 million.

Working capital
At the end of the first half of 2006, Boralex's working capital showed a deficit of $23.5 million, compared to a deficit de $18.6 million as at December 31, 2005. The higher deficit stems mainly from the reduction in future tax benefits that Boralex expected to obtain in 2006, before the Stratton incident, which alone reduced working capital by $5.2 million. At June 30, 2006, non-cash working capital, that is, before cash and cash-equivalents, loans and advances and the current portion of long-term debt stood at $8.4 million, compared to $9.8 million at December 31, 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 $223.6 million ($213.4 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 half, 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 project between now and the end of 2008. At current construction costs, this would allow it to carry out projects totaling more than 100 MW.

With respect to the U.S. term loan that matured on May 1, 2006 and for which the balance at June 30, 2006 was US$4.7 million ($5.2 million), the Corporation has negotiated the renewal of this instrument for an additional year.

Given Boralex's share price, which was $10.50 at June 30, 2006, the total debt to market capitalization ratio was 71% at that date, compared to 81% at December 31, 2005, when the share value was $8.39. Shareholders' equity grew $3.7 million in the first half of 2006, mainly due to the period's net earnings, net of the increase in translation adjustments caused by the rise in the Canadian dollar versus the U.S. dollar. Equity thus totaled $168.9 million at June 30, 2006.

Outlook

Despite certain production problems that occurred in the second quarter of 2006 in one of the wood-residue thermal power plants, 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:

- 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 fact that average electricity prices on the U.S. open market should continue at average levels comparable to those of 2005. Despite the increase recorded since the start of 2006 compared to 2005, the Corporation believes that the record prices of the fourth quarter of 2005 will not be repeated this year; and
- the fact that the U.S. wood-residue power stations will continue to receive renewable energy tax credits. Note that U.S. authorities increased the unit credit amount to $US10/MWh for 2006.

The wood-residue supply strategies implemented since 2004 have allowed Boralex to stabilize supply and optimize power station operation. However, the fuel cost-per-ton has increased substantially in the past few years — mainly due to increases in the price of diesel oil, which has an impact on transportation costs — and to the use of higher quality wood residues. Boralex is continually evaluating ways to reduce fuel supply costs. With respect to fuel transportation costs, Boralex is making a greater effort to control the origin of wood residues in order to reduce transportation distances. To this end, major investments over the past few years in mobile wood-residue processing equipment have enabled Boralex to procure a third of its annual supply requirements from sources harvested at shorter distances.

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 2,000 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. The steam customer is supplied through the auxiliary boiler, as it was done in 2005.

The hydroelectric power stations had excellent water flows in the first half of 2006, which will have a positive impact on the year as a whole. Boralex notes, however, that the performance of the first six months 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. Plus, Boralex is awaiting regulators approvals to start operating its recently acquired 9th hydroelectric power station, which will bring its installed capacity in this segment to 30 MW.

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 partially 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 June 30, 2006, Boralex's capital stock consisted of 30,049,586 Class A shares issued and outstanding (29,989,398 as at December 31, 2005). Since the start of 2006, employees have exercised a total of 60,188 share purchase options, and 7,486 options were cancelled in the second quarter of 2006. In addition, 262,180 new options were issued to members of Boralex's senior management. As at August 9, 2006, share purchase options numbered 1,140,622, of which 496,317 can be exercised.

On June 12, 2006, Boralex announced its intention to begin a normal course issuer bid starting on June 14, 2006 and ending on June 13, 2007. The normal course issued bid will enable Boralex to acquire up to 1,500,000 Class A Shares, representing about 5% of Boralex's 30,049,586 issued and outstanding Class A Shares as at May 31, 2006. Purchases pursuant to the normal course issuer bid will take place as part of Boralex's normal activities, through the Toronto Stock Exchange. The Class A Shares purchased will be cancelled. As at August 9, 2006, Boralex had not purchased any Class A Shares under this program. A copy of the notice of intention to begin a normal course issuer bid can be obtained free of charge from the Corporation.

Financial Instruments

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

Market risk

As at June 30, 2006, Boralex held five electricity-related financial swaps for periods of 5 to 33 months, for total notional amount of 160,464 MWh. The estimated favorable fair value of these contracts is US$614,000 ($684,000).

Interest rate risk

As at June 30, 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 €90,444,000 ($128,847,000). The estimated favorable fair value of these instruments is €1,862,000 ($2,652,000).

Related Party Transactions

In addition to holding 23.3% of the Fund's trust units, the Corporation is linked to the Fund by long-term management and administration contracts. For the six months ended June 30, 2006, these agreements generated 4% of Boralex's total revenue (5% in 2005), while its share of the Fund's results represented 8% (8% in 2005). Furthermore, Boralex has received distributions from the Fund of $6.2 million in the first half of 2006 ($6.2 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 half of 2006, revenue from Norampac amounted to $4.2 million ($4.2 million in 2005).

The Corporation also has a management contract for a power station controlled by one of its directors and officers. For the six months ended June 30, 2006, revenue from this contract amounted to $0.2 million ($0.3 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 June 30, 2006 and 2005 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)

	Note	**As at June 30 2006**	As at December 31 2005
Assets		(unaudited)	(audited)
Current assets			
Cash and cash equivalents		10,195	10,615
Accounts receivable		22,383	26,006
Inventories		5,080	5,232
Prepaid expenses		2,337	1,955
Future income taxes		2,787	7,979
		42,782	51,787
Investment		76,351	77,997
Property, plant and equipment		269,470	262,460
Electricity sale contracts		18,218	16,814
Other assets	6	32,848	20,457
		439,669	429,515
Liabilities			
Current liabilities			
Bank loans and advances	7	-	1,215
Accounts payable and accrued liabilities		23,144	28,608
Income taxes		1,075	2,787
Current portion of long-term debt	7	42,016	37,802
		66,235	70,412
Long-term debt	7	181,619	164,832
Future income taxes		21,724	28,026
Non-controlling interests		1,184	1,034
		270,762	264,304
Shareholders' equity			
Capital stock	3,4	112,198	111,686
Retained earnings		93,280	84,188
Cumulative translation adjustments		(36,571)	(30,663)
		168,907	165,211
		439,669	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 June 30		For the six-month periods ended June 30	
	2006	2005	**2006**	2005
Revenue from energy sales	20,819	20,414	57,920	51,432
Renewable energy tax credit	2,268	5,062	5,223	5,062
Operating costs	19,344	18,570	45,511	41,025
	3,743	6,906	17,632	15,469
Share in earnings of the Fund	2,199	1,970	5,784	5,075
Management revenue from the Fund	1,355	1,353	2,711	2,709
Other revenue	880	1,230	3,321	1,354
	8,177	11,459	29,448	24,607
Expenses				
Management and operation of the Fund	1,095	993	2,118	2,006
Administration	2,173	1,731	4,840	4,466
	3,268	2,724	6,958	6,472
Earnings before the following	4,909	8,735	22,490	18,135
Other expenses				
Amortization	4,741	2,436	9,361	4,812
Financial expenses	2,897	830	5,678	2,164
	7,638	3,266	15,039	6,976
Earnings (loss) before income taxes	(2,729)	5,469	7,451	11,159
Income tax expense (recovery)	(4,278)	(225)	(1,778)	1,975
	1,549	5,694	9,229	9,184
Non-controlling interests	(66)	(106)	(137)	(187)
Net earnings	1,483	5,588	9,092	8,997
Net earnings per class A share (basic and diluted)	$0.05	$0.19	$0.30	$0.30
Weighted average number of class A shares outstanding	30,038,064	29,986,663	30,017,924	29,986,663

See accompanying notes

Consolidated statements of retained earnings
(in thousands of dollars)
(unaudited)

	For the six-month periods ended June 30	
	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	9,092	8,997
Balance - end of period	93,280	72,097

See accompanying notes

Consolidated statements of cash flows

(in thousands of dollars)
(unaudited)

	Note	For the quarters ended June 30 2006	2005	For the six-month periods ended June 30 2006	2005
Operating activities					
Net earnings		1,483	5,588	9,092	8,997
Distributions received from the Fund		3,098	3,098	6,196	6,196
Items not affecting cash					
Share in earnings of the Fund		(2,199)	(1,970)	(5,784)	(5,075)
Amortization		4,741	2,436	9,361	4,812
Amortization of deferred financing costs		127	48	271	100
Future income taxes		(3,244)	191	(1,064)	2,204
Renewable energy tax credit		(2,268)	(5,062)	(5,223)	(5,062)
Non-controlling interests		66	106	137	187
Others		141	86	282	146
Cash flows from operations		1,945	4,521	13,268	12,505
Net change in non-cash working capital balances		4,150	1,595	(3,568)	(12,875)
		6,095	6,116	9,700	(370)
Investing activities					
Business acquisitions	5	-	(16,383)	-	(16,383)
Purchase of minority interests		(997)	-	(997)	-
Purchase of property, plant and equipment		(7,856)	(47,789)	(16,006)	(54,567)
Other assets		(1,766)	64	(7,207)	(648)
Proceeds on disposal of property, plant and equipment		-	-	-	400
		(10,619)	(64,108)	(24,210)	(71,198)
Financing activities					
Bank loans and advances	7	-	5,603	(42,012)	11,895
Increase in long-term debt	7	3,665	55,431	63,561	63,167
Payments of long-term debt		(4,726)	(1,396)	(6,793)	(2,837)
Financing costs		(564)	(2,192)	(1,281)	(2,198)
Net proceeds on issuance of shares		190	-	274	-
		(1,435)	57,446	13,749	70,027
Translation adjustments on cash and cash equivalents		(72)	(58)	341	(78)
Net change in cash and cash equivalents		(6,031)	(604)	(420)	(1,619)
Cash and cash equivalents - beginning of period		16,226	4,427	10,615	5,442
Cash and cash equivalents - end of period		10,195	3,823	10,195	3,823
SUPPLEMENTAL DISCLOSURE					
Cash and cash equivalents paid for:					
Interest		2,775	921	5,410	2,079
Income taxes		310	377	644	745

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 June 30, 2006 the capital stock issued and outstanding consisted of 30,049,586 Class A shares (29,989,398 as at December 31, 2005). During the six-month period ending June 30, 2006, 60,188 options were exercised, and 7,486 options were cancelled during the second quarter of 2006. Also, 262,180 options have been granted during the second quarter.

As at August 9, 2006, the number of share purchase options outstanding was 1,140,622 of which 496,317 could be exercised.

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 $240,000 has been recorded as administration cost to account for the cost of stock options, for the six-month period ended June 30, 2006 ($116,000 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:

	2006	2005
Risk-free interest rate	3.85%	3.85%
Expected dividend yield	0%	0%
Expected life of options	5 years	5 years
Expected volatility	45%	45%

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

Note 5 - Business acquisitions
On April 5, 2005, the Corporation acquired six french companies which owned the rights to build and operate wind farms, the long term electricity sales contracts, as well as some in process site construction. These sites are situated in the Massif Central area in France, possess a capacity of 57 MW and began their commercial operation at the end of December 2005. Consideration for this acquisition was paid in cash and amounted to $13,667,000 (€8,722,000).

On June 28, 2005, the Corporation acquired a french company which owned the rights to build and operate a wind farm, the long term electricity sales contracts, as well as some in process site construction. This site is situated in Plouguin in France, offers a capacity of 8 MW and started operating at the end of December 2005. Consideration for this acquisition was paid in cash and amounted to $2,716,000 (€1,827,000).

	2005		
	Wind Massif Central	Wind Plouguin	Total
Working capital	756	317	1,073
Property, plant and equipment	2,937	230	3,167
Electricity sales contracts	10,236	2,193	12,429
Total consideration	13,929	2,740	16,669
Cash and cash equivalents included in working capital	262	24	286
Net consideration	13,667	2,716	16,383

On June 29, 2006, the Corporation repurchased minority interests of 5% of the Massif Central Project for a consideration of €700,000 ($997,000). This amount has been added to the value of the electricity sales contracts acquired initially.

Note 6 - Other assets

	June 30 2006	December 31 2005
Renewable energy tax credits	15,276	10,625
Net investment in lease financings	4,865	4,114
Deferred financing costs	3,133	2,060
Deferred costs	418	671
CO_2 quota	200	717
Restricted funds and other funds held in trust	8,027	1,636
Investments	73	85
Project development costs	856	549
	32,848	20,457

a) Amortization of deferred costs was $36,000 for the six months ended June 30,2006 ($156,000 for the twelve months ended December 31, 2005). Amortization of deferred financing costs was $271,000 for the six months ended June 30,2006 ($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 $15,276,000 (of which $5,116,000 during the 1st semester 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 semester of 2006, the Corporation reserved an amount of €4,110,000 ($5,789,000), as required under the financing of Massif Central.

Notes to interim consolidated financial statements

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

Note 7 - Long-term debt

	Note	Rate (1)	**June 30 2006**	December 31 2005
Revolving credit bearing interest at a variable rate	a)	6.14%	45,390	40,797
Secured credit with a balance of €15,824,000 as at June 30, 2006 (€15,725,000 in 2005), bearing interest at a variable rate and maturing December 31, 2006	b)	3.11%	22,542	21,775
Secured senior credits with a balance of €87,273,000 as at June 30, 2006 (€79,578,000 in 2005), repayable in semi-annual instalments and maturing between 2017 and 2020	c)	4.98%	124,329	109,857
Secured junior credit with a balance of €3,887,000 as at June 30, 2006 (€2,300,000 in 2005), repayable in semi-annual instalments and maturing in 2015	c)	6.45%	5,538	3,175
Project leases with a balance of €12,851,000 as at June 30, 2006 (€13,585,000 in 2005), repayable in quarterly instalments and maturing between 2012 and 2015	d)	5.49%	18,308	18,755
Term loan bearing interest at a variable rate with a balance of US$4,696,000 as at June 30, 2006 (US$5,096,000 in 2005), repayable in quarterly instalments and maturing May 1, 2007	e)	6.25%	5,237	5,942
Others			2,291	2,333
			223,635	202,634
Less:				
Current portion of long-term debt			42,016	37,802
			181,619	164,832

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

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 June 30, 2006 in order to secure some transactions including the credit discussed in b), the Corporation has issued letters of credit for a total of $25,161,000 against this credit.

b) This credit is secured by a letter of credit of $23,903,000, 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. During the second quarter of 2006, the Corporation extended this credit until December 31, 2006.

c) The Corporation 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 June 30, 2006, an amount of €160,329,000 ($228,405,000) 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 $25,086,000 ($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 the same conditions, deferring it's maturity until at May 1st, 2007.

Notes to interim consolidated financial statements

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Note 7 - Long-term debt (continued)

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 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 Corporation 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 Corporation has reduced the proportion of its variable-rate debt from 88% to 35%.

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 $164,745,000 as at June 30, 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	42,016
2008	10,798
2009	10,767
2010	56,371
2011	10,402

Note 8 - Financial instruments

A large part of Boralex's debt bears interest at a variable rate. As at June 30, 2006, variable rate debt accounted for around 88% 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 7, the use of interest rate swaps enables Boralex to reduce its exposure to interest rate volatility by reducing its exposure to that risk from 88% to 35%. As at June 30, 2006, the notional amount of those swaps was $128,847,000 (€90,444,000) and their favourable fair value stood at $2,652,000 (€1,862,000).

As at June 30, 2006, Boralex had also signed five electricity price swaps for total deliveries of 160,464 MWh and for periods covering from 5 to 33 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 $684,000 (US$614,000) and they are eligible for hedge accounting.

Note 9 - 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 contracts. This is the case for the two hydroelectric stations in Quebec, one hydroelectric in the US and all of the Corporation's facilities in France.

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

Notes to interim consolidated financial statements

(tabular amounts in thousands of dollars, unless otherwise specified)
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Note 10 - Comparative figures

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

Note 11 - 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)
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Note 11 - Segmented information (continued)

Information by segment	**For the quarters ended June 30**		For the six-month periods ended June 30	
	2006	2005	**2006**	2005
PRODUCTION (in MWh)				
Hydroelectric power stations	37,027	31,108	77,790	64,553
Wood-residue thermal power stations	174,378	190,952	458,795	455,196
Natural gas thermal power station	30	87	22,679	22,471
Wind power stations	43,430	9,479	89,960	24,481
	254,865	231,626	649,224	566,701
REVENUE FROM ENERGY SALES				
Hydroelectric power stations	2,693	2,627	6,287	5,326
Wood-residue thermal power stations	11,001	14,458	33,249	34,974
Natural gas thermal power station	1,904	2,058	7,589	7,797
Wind power stations	5,221	1,271	10,795	3,335
	20,819	20,414	57,920	51,432
EBITDA (1)				
Hydroelectric power stations	2,129	1,979	4,692	4,263
Wood-residue thermal power stations	(2,767)	4,447	1,480	6,487
Natural gas thermal power station	344	666	3,847	2,098
Wind power stations	4,457	1,054	8,968	2,700
Corporate and eliminations	746	589	3,503	2,587
	4,909	8,735	22,490	18,135
PURCHASE OF PROPERTY, PLANT AND EQUIPMENT				
Hydroelectric power stations	129	-	147	-
Wood-residue thermal power stations	5,983	7,698	8,059	11,118
Natural gas thermal power station	94	-	94	124
Wind power stations	1,613	40,041	7,595	43,215
Corporate and eliminations	37	50	111	110
	7,856	47,789	16,006	54,567

(1) The following table reconciles EBITDA to net earnings:

	2006	2005	**2006**	2005
Net earnings	1,483	5,588	9,092	8,997
Non-controlling interests	66	106	137	187
Income tax expense (recovery)	(4,278)	(225)	(1,778)	1,975
Financial expenses	2,897	830	5,678	2,164
Amortization	4,741	2,436	9,361	4,812
Consolidated EBITDA	4,909	8,735	22,490	18,135

	June 30 2006	December 31 2005
ASSETS		
Hydroelectric power stations	19,521	20,762
Wood-residue thermal power stations	125,589	128,287
Natural gas thermal power station	19,844	18,258
Wind power stations	187,152	175,940
Corporate and eliminations	87,563	86,268
	439,669	429,515


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