MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2005

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INTRODUCTION

The management discussion and analysis ("MD&A") of Brascan Power Inc. (the "Company") for Q1 2005 is in compliance with the requirements of regulation 51-102. The information provided in this discussion and analysis is intended to provide a framework for understanding our competitive advantages, the long-term growth trends of our business and the ability of our assets to deliver strong and stable cash flows. In addition, this discussion and analysis is intended to complement and supplement the Company's quarterly financial statements. It should be read in conjunction with the unaudited quarterly consolidated financial statements. Additional information relating to Brascan Power Inc. can also be found on the Company's website at www.brascanpower.com and on the SEDAR website.

Effective January 1, 2005, the Company's functional and reporting currency has changed from Canadian ("CDN") to United States ("US") dollars. Unless expressly indicated otherwise, all amounts are reflected in US dollars

OVERVIEW OF THE BUSINESS

The Company owns or operates[1] 127 hydroelectric power generating stations located on 43 river systems and 2 cogeneration plants with an installed capacity of 2,748 MW, capable of generating in excess of 11,000 GWh of electricity annually.

The Company has power generating operations in the regionally interconnected markets of Ontario, Québec, New England and New York, as well as British Columbia, Maryland, Pennsylvania, Louisiana and Brazil, and a regulated transmission and distribution business in Ontario. The transmission and distribution business consists of approximately 726 km of 44kv to 230kv transmission lines and includes a low voltage distribution system consisting of approximately 1,700km of low voltage lines and 11 distribution stations that service approximately 11,500 customers. Some of the Company's assets are owned through Great Lakes Hydro Income Fund (the "Fund"), a publicly traded reporting issuer on the Toronto Stock Exchange (symbol: GLH.UN) of which the Company owns a 50.1% interest. The Company is not listed on any stock exchange but it is a reporting issuer with publicly held debt. The Company is a wholly-owned subsidiary of Brascan Corporation ("Brascan"). Brascan is an asset management company listed on the Toronto Stock Exchange (symbol: BNN.LV.A) and New York Stock Exchange (symbol: BNN), focused on the real estate and power generation sectors.

The Company is focused on delivering long-term sustainable cash flows through the operation of low-cost hydroelectric power generating facilities. The Company strives to maximize the stability and predictability of power generating revenues through the use of fixed price contracts which serve to minimize the impact of price fluctuations, and through diversification of watersheds and water storage reservoirs to manage fluctuation in generation levels. Approximately 40% of the Company's generation is sold under long-term fixed-price power purchase agreements, with an average term of over 14 years. The remaining generation is dispatched in competitive electricity markets in Ontario, Quebec, New England and New York, where the Company is one of the lowest cost suppliers. Prices in those markets are a function of instantaneous supply and demand that fluctuates on an hourly basis. The Company manages those fluctuations by entering into short-term financial contracts, when appropriate and within the limits of its risk management policy, to limit its exposure to price fluctuations and optimize overall returns. The Company conducts all of its energy marketing through its wholly-owned subsidiary, Brascan Energy Marketing Inc ("BEMI"). BEMI operates in the wholesale energy markets in both Canada and the United States. The Company's strategy is to increase its annual generation sold under power purchase agreements ("PPAs") to approximately 60% when the market price of power is at a level which the Company believes is sustainable.

PERFORMANCE MEASUREMENT

The Company focuses principally on net operating income for performance measurement because it is tangible and reflects the value of our assets. Net operating income consists of revenues from the Company's power operations, net of operating and maintenance costs, fuel purchases for its cogeneration plants, power purchases, selling, marketing and administration expenses and municipal and other generation taxes on its facilities. Net operating income is a non-GAAP basis of performance measurement. Interest and financing fees, interest on capital securities, depreciation and amortization, provision for income taxes and non-controlling interests are deducted from net operating income to obtain net income.

[1] The Brazil common shares are owned by Brascan Corporation. The Company has an investment in preferred shares in these facilities and manages the operations. Results are not included in the Company's consolidated financial statements.

SUMMARY OF OPERATING RESULTS

Financial results for the three months ended March 31, 2005 compared to 2004 are shown in the following table:

US$ millions	Three months ended March 31	
	2005	2004[(1)]
Revenue	**$ 229**	$ 174
Net operating income		
Power generation	**127**	99
Transmission and distribution	**7**	6
	134	105

(1) All 2004 comparatives have been restated to reflect the adoption of revisions to Section 3861, Financial Instruments- Disclosure and Presentation and Accounting Guideline 15, Consolidation of Variable Interest Entities.

Net operating income for the first quarter of 2005 totaled $134 million compared to $105 million for the same quarter in 2004. Revenues for the quarter totaled $229 million, compared to $174 million in the same period in 2004, an increase of 32% or $55 million. The New York assets acquired in September 2004 account for most of the increase with a contribution of $48 million to revenues during the first quarter of 2005. The acquisition of the Hydro Kennebec and West Delaware facilities in January 2005 contributed an additional $3 million to revenues. We also realized additional improvements over last year by optimizing the Lièvre system, generating higher ancillary revenues and increasing transmission and distribution revenues.

OPERATIONS REVIEW

GENERATION

Gigawatt hours	Three months ended March 31			Annual
			Long-term	long-term
	2005	2004[(1)]	average	average
Ontario	**827**	930	810	3,262
Québec	**390**	518	414	1,639
British Columbia	**165**	167	148	619
New England	**326**	301	334	1,279
New York	**829**	-	826	2,959
Louisiana	**346**	286	286	903
	2,883	2,202	2,818	10,661

(1) 2004 comparative generation has been restated to reflect the adoption of Accounting Guideline 15, Consolidation of Variable Interest Entities.

REVENUE

US$ millions	Three months ended March 31	
	2005	2004[(1)]
Ontario	**$ 48**	$ 52
Québec	**22**	24
British Columbia	**5**	5
New England	**16**	16
New York	**49**	-
Louisiana	**52**	44
Other	**37**	33
	$ 229	$174

(1) 2004 comparative revenues have been restated to reflect the adoption of Accounting Guideline 15, Consolidation of Variable Interest Entities.

Revenue by Segment

Ontario

In Ontario, revenues totalled $48 million compared to $52 million in the same quarter of the prior year. Generation totalled 827 GWh, a decrease of 11% from the same quarter in 2004. In the first quarter of 2004, hydrology conditions were highly favourable resulting in generation significantly higher than long-term average. Generation in the current quarter, while lower than the first quarter of 2004, remained slightly higher than long-term average. The decrease in revenues from this lower generation and the impact of lower market prices during the first three months of 2005 was partially offset by higher ancillary revenues and a stronger Canadian dollar.

Québec

In Québec, generation during the first quarter was 390 GWh compared to 518 GWh for the same period last year. This decrease is the result of lower water inflows during the quarter in comparison to the same period in the prior year. Revenues totalled $22 million, compared to $24 million in the same quarter of 2004. The decrease in revenues caused by lower generation was partially offset by the optimization of the power produced by the Lièvre system, combined with the impact of a stronger Canadian dollar.

British Columbia

The Company's share of the quarterly generation in British Columbia was 165 GWh, in line with generation of 167 GWh in the same quarter in 2004. Revenues for the quarter totalled $5 million, consistent with the same period last year.

New England

In New England, power generation contributed $16 million of revenues consistent with the same period in the prior year. Overall, generation was 8% higher, which is attributable to generation from the cogeneration facility that commenced operations in the second quarter of 2004 and the acquisition of the Hydro Kennebec facilities in January 2005. The cogeneration and the Hydro Kennebec facilities contributed an additional $3 million to our quarterly revenues. These additional revenues were countered by lower electricity prices in the first quarter of 2005 in New England compared to 2004 and lower generation.

New York

Generation from the New York facilities acquired in September 2004 totalled 819 GWh. Generation was consistent with long-term average and added $48 million in revenues. The acquisition of the West Delaware facilities in January 2005 contributed an additional 10 GWh to generation and $1 million in revenues.

Louisiana

Power generated by the Louisiana facilities was above long-term average and increased from 286 Gwh in the first quarter of 2004 to 346 Gwh in the first quarter of 2005, which resulted in higher revenues totalling $52 million (2004 - $43 million).

Other

Revenues from other power operations includes the Transmission and Distribution business, which contributed $10 million to revenues, an increase of $2 million over the same period last year as a result of the increase in the Company's transmission rate base.

Revenues from other power operations also include power sold to an affiliate in the amount of $29 million, which is consistent with the same period last year.

Operating expenses

Operating and maintenance expenses totaled $26 million, compared to $13 million in the same quarter of the prior year. Water rental and property taxes totaled $16 million compared with $10 million in 2004, an increase of $6 million for the quarter. Selling, marketing and administration expenses for the period totaled $7 million, compared to $5 million in the same quarter in 2004. These increases are mainly attributable to acquisitions and assets commissioned during 2004 and 2005 including the addition of the New York facilities in September 2004.

Fuel purchases consist of the cost of natural gas required for the cogeneration plants. Fuel purchases for the operation of our cogeneration plants remained relatively stable in the first quarter of 2005 at $8 million compared to $7 million in 2004. The slight increase is due to an increase in the commodity rates of our suppliers.

NET INCOME RESULTS

US$ millions	Three months ended March 31 2005	2004(1)
Net operating income	**$ 134**	$ 105
Investment income and other	**29**	17
	163	122
Interest and financing fees	**52**	44
Depreciation and amortization	**26**	16
Provision for income taxes	**17**	11
Non-controlling interests	**10**	11
Net income before interest on capital securities	**$ 58**	$ 40
Interest on capital securities	**18**	3
Net income	**$ 40**	$ 37
Diluted net income per share	**$ 0.33**	$ 0.31
Basic net income per share	**$ 0.40**	$ 0.36

(1) All 2004 comparatives have been restated to reflect the adoption of revisions to Section 3861, Financial Instruments- Disclosure and Presentation and Accounting Guideline 15, Consolidation of Variable Interest Entities.

Net income for the first quarter totaled $40 million ($0.40 per common share), compared to $37 million ($0.36 per common share) for the same quarter last year. The increase in the Company's net income is partially offset by the increased interest expense relating to the CDN $1,100 subordinated convertible debentures that the Company issued in the third quarter of 2004.

INVESTMENT AND OTHER INCOME

Investment and other income increased by $12 million from the same period in 2004 primarily due to gains on foreign exchange and higher overall demand deposit balances, resulting in higher interest revenues. These increases were partially offset by the sale of securities and long-term investments in the prior year, producing lower investment income.

INTEREST AND FINANCING FEES

US$ millions	Three months ended March 31 2005	2004(1)
Ontario	**$ 10**	$ 8
Québec	**3**	3
British Columbia	**2**	2
New England	**2**	2
New York	**6**	-
Louisiana	**22**	22
Other	**7**	7
Total	**$ 52**	$ 44

(1) 2004 comparative interest and financing fees have been restated to reflect the adoption of Accounting Guideline 15, Consolidation of Variable Interest Entities.

Interest and financing fees increased by $8 million or 18% from the same period in prior year. Interest and financing fees in New York relate to the $500 million bridge financing obtained to acquire the New York assets. The higher interest expense in Ontario is mostly attributable to the CDN $77 million senior secured bonds issued in September 2004, secured by our cogeneration facility in Northern Ontario and the stronger Canadian dollar.

DEPRECIATION AND AMORTIZATION

Depreciation in the first quarter of 2005 was $26 million compared to $16 million for the same period in 2004. This increase is attributable to depreciation of the New York assets acquired in the third quarter of 2004, as well as depreciation on the Hydro Kennebec and West Delaware assets acquired during the period and the impact of the stronger Canadian dollar.

PROVISION FOR INCOME TAXES

During the quarter, the Company incurred an income tax expense of $7 million, compared to $11 million in the same period in 2004. The decrease in the first quarter of 2005 compared to 2004 is a result of the interest on the $1,100 subordinated convertible debentures issued in the third quarter of 2004.

NON-CONTROLLING INTERESTS

Non-controlling interests consists of the allocation of income associated with the non-controlling interests in the Company's consolidated entities. In addition to the Company's 49.9% non-controlling interest in the Fund, the Company also has a 25% non-controlling interest in Louisiana HydroElectric and a 50% minority interest in Power River Energy Inc. through the Fund, as a result of the adoption of Accounting Guideline 15, Consolidation of Variable Interest Entities. The decrease of $1 million is primarily due to a lower net income from the Fund which was largely offset by higher net income from our Louisiana operations during the quarter compared to the same period in 2004.

INTEREST ON CAPITAL SECURITIES

Following the retroactive adoption of CICA Handbook Section 3861, a large portion of the interest on the subordinated convertible debentures is recorded through the consolidated statement of income. Interest on the subordinated convertible debentures totaled $28 million for the first three months of 2005, compared to $3 million for the same period in prior year. This increase is the result of the interest on the CDN $1,100 million subordinated convertible debentures, which were issued to Brascan during the third quarter of 2004.

BALANCE SHEET

POWER GENERATING AND OTHER ASSETS

Power generating and other assets as of March 31, 2005 totalled $3,646 million, compared to $3,582 million at December 31, 2004. This increase is attributable to the acquisition of the West Delaware and Hydro Kennebec assets, representing a total of $30 million and an additional $6 million investment in Brazil. The Company also continued to invest in several capital projects during the quarter to preserve and enhance the reliability of its operations. The investment in the transmission and reinforcement project in Northern Ontario during the quarter totalled $9 million. Other significant capital projects during the quarter included wind power projects ($10 million), the Shikwamka dam rebuild ($5 million), the Weldon conversion project in Maine ($3 million) and the Cedar Dam project on the Lièvre River in Québec ($2 million).

CAPITAL STRUCTURE AND FINANCING

The Company continues to maintain investment grade issuer ratings from DBRS (BBB High) and Standard and Poor's (BBB). The Company maintains a prudent level of low-cost asset level financing and modest levels of corporate debt. The long-life nature of its assets allows the Company to finance its assets with non-recourse debt with minimal near-term maturities.

CAPITAL STRUCTURE (composition of total structure)	As at March 31, 2005	As at December 31, 2004 [1]
Credit facilities, property specific borrowings and corporate term debentures	**60%**	61%
Deferred credits	**4%**	4%
Non-controlling interests	**6%**	6%
Shareholders' equity and debt portion of capital securities	**30%**	29%
Total	**100%**	100%

(1) All 2004 comparatives have been restated to reflect the adoption of revisions to Section 3861, Financial Instruments-Disclosure and Presentation and Accounting Guideline 15, Consolidation of Variable Interest Entities.

Overall, the Company's capital structure as at March 31, 2005 is consistent with that as of December 31, 2004.

At March 31, 2005, the Company's weighted average interest rate and term to maturity for long-term debt are 5.48% and 8.1 years respectively.

On January 27, 2005, the Company issued an additional CDN $50 million in Series 1 Canadian unsecured term debentures. These debentures bear interest at 4.65% and mature on December 16, 2009.

On February 11, 2005, the Company issued CDN $35 million of Senior Secured Series 1 First Mortgage bonds. These bonds are secured by a first ranking lien on the Pingston Power Joint Venture assets, bear interest at a rate of 5.28% payable semi-annually, and mature on February 11, 2015.

The $200 million Series 3 corporate debentures were repaid upon maturity in March 2005.

Great Lakes Power Trust ("GLPT") has available a credit facility comprised of a CDN $25 million line of credit and a CDN $25 million term loan for general corporate purposes which can be drawn upon in Canadian or US dollars and is bearing interest based on Canadian prime rate, US base rate or LIBOR plus a margin. Standby fees of 20 basis points are charged on the undrawn GLPT credit facility. On April 12, 2005, Great Lakes Hydro Income Fund extended the due date of the GLPT credit facility from April 15, 2005 to October 15, 2005.

The Company provided covenants to certain of its lenders as do most borrowers. As of March 31, 2005, the Company is in compliance with all of its covenants.

Shareholders' Equity

The composition of the Company's capital base at March 31, 2005 and December 31, 2004 is summarized in the following table:

US$ millions	**March 31, 2005**	December 31, 2004 [1]
Equity portion of capital securities	**$ 4**	$ 3
Common shares, retained earnings and cumulative translation adjustment	**332**	302
	$ 336	$305

[1] 2004 comparatives have been restated to reflect the adoption of revisions to Section 3861 – Financial Instruments Disclosure and Presentation.

During the quarter, the Company issued an additional 129,024 common shares to Brascan Corporation as non-cash consideration for the acquisition of the common shares of Harmony Wind. As at March 31, 2005, the Company had 101,512,159 common shares issued and outstanding.

Dividends paid on the Company's common shares totaled $13 million in the first quarter of 2005.

The Company's policy is to distribute surplus operating cash flows not required for investment in power generating facilities to its common shareholders in the form of regular quarterly and special dividend payments.

Liquidity and Capital Resources

Given the nature of our operations, the industry in which we operate and our contractual arrangements, our cash margin is stable and provides a strong credit profile. In addition to the risk of variable hydrology conditions, our risk with respect to liquidity arises from the financing required for acquisitions and significant capital projects.

We have access to the following sources from which to fund our capital program:

- Existing cash reserves;
- Strong cash flow from operations; and
- Additional available credit facilities.

The Company continues to have a strong balance sheet and healthy financial ratios. As at March 31, 2005, we maintained a current cash and cash equivalents balance of $417 million. These factors, combined with the additional available resources noted above, make liquidity for the Company a negligible risk factor.

Given our historical profitability and our ability to manage expenses, we believe that our current resources are adequate to meet our requirements for working capital and capital expenditures through the foreseeable future.

Contractual Obligations

The following table summarizes our significant contractual obligations as of March 31, 2005:

US$ millions	Total	In years 2005-2009	In years 2010-2014	In years 2015-2019	Beyond 2020
Credit facilities	$ 30	$ 30	-	-	-
Long-term debt	$ 2,776	$1,208	$ 162	$ 43	$ 1,363
Acquisitions in process	$ 124	$ 124	$ -	$ -	$ -

Acquisitions in process

On April 27, 2005, the Company completed the acquisition of two hydroelectric generating facilities, Piney and Deep Creek, with a total of 48 megawatts of capacity from Reliant Energy Inc. for cash consideration of $42 million. The Piney station is a 28 megawatt facility located in Pennsylvania and the Deep Creek station is 20 megawatt facility located on the Youghiogheny River in Maryland.

The Company entered into a 50/50 joint venture agreement with Emera Inc. to acquire a 589 megawatt pump storage hydroelectric generating facility located in New England ("Bear Swamp") and to lease a 49 megawatt hydroelectric generating facility, located in Vermont ("Bellows Falls"). The total purchase price of Bear Swamp is $92 million, of which the Company's share is $46 million. This transaction is expected to close in the second quarter of 2005. The total payment to lease Bellows Falls for up to 74 years is $72 million. The Company's share of this agreement is $36 million. This transaction is expected to close in the third quarter of 2005.

OFF-BALANCE SHEET ARRANGEMENTS

GUARANTEES

In the normal course of operations, the Company and its consolidated subsidiaries execute agreements that provide for indemnification and guarantees to third parties in transactions such as business dispositions, business acquisitions, sales of assets and sales of services. The Company has also agreed to indemnify its directors and certain of its officers and employees. The nature of substantially all of the indemnification undertakings prevents the Company from making a reasonable estimate of the maximum potential amount that the Company could be required to pay third parties as the agreements do not specify a maximum amount and the amounts are dependent upon the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. Historically, neither the Company nor its consolidated subsidiaries have made significant payments under such indemnification agreements.

The Company provides guarantees as described in Note 23 of the 2004 annual consolidated financial statements. There has been no material changes for the period ended March 31, 2005 to the disclosures related to the guarantees.

DERIVATIVE INSTRUMENTS

The Company uses derivative financial instruments including commodity swaps and foreign exchange forward contracts to manage risk. Derivative financial instruments involve credit and market risk. Credit risk arises from the potential for a counterparty to default on its contractual obligations and is limited to those contracts where the Company would incur a loss in replacing the defaulted transaction. The Company minimizes credit risk through the selection, monitoring and diversification of counterparties, use of the International Swaps and Derivatives Association (ISDA) documentation, collateral and other credit risk mitigation techniques. These risks are reviewed on a regular basis and the Company believes the exposures are manageable and not material in relation to its overall business operations.

a) Commodity derivative instruments

As at March 31, 2005, the energy and gas derivative contracts were comprised of contracts with deferred unrealized losses in excess of that recorded in the Company's accounts of $190 million (2004 - $27 million) as well as contracts with deferred unrealized gains in excess of that recorded in the Company's accounts of $117 million (2004 - $17 million).

b) Interest rate derivative instruments

The Company does not hold any interest rate swap agreements as at March 31, 2005 as the agreements were terminated during the quarter. The total notional amount of principal underlying interest rate swap contracts as at March 31, 2004 was $592 million. For the three months ended March 31, 2004, the Company had unrealized deferred gains in excess of that recorded in the Company's accounts of $4 million and unrealized deferred losses of $6 million in excess of that recorded in the Company's accounts.

c) Foreign exchange derivative instruments

As at March 31, 2005, the Company held foreign exchange contracts with a notional amount of CDN $723 million at an average exchange rate of 1.2301, of which CDN $510 million was designated as a hedge of the net investments in Canadian operations. At March 31, 2005, these contracts had unrealized deferred losses in excess of that recorded in the Company's accounts of $25 million. As at March 31, 2004, the Company did not hold any foreign exchange contracts. All of the foreign exchange contracts held at March 31, 2005 had a maturity of less than one year.

The Company's derivative financial instruments are discussed more fully in the 2004 annual consolidated financial statements.

RELATED PARTY TRANSACTIONS

All related party transactions are consistent with the type of transactions disclosed in the notes to the December 31, 2004 consolidated financial statements. The following table summarizes all significant year-to-date related party transactions:

US$ millions	Three months ended March 31	
	2005	2004
Revenues		
Sale of power to Noranda Aluminum Inc.	**$29**	$ 29
Physical gas sales to Noranda Inc.	**1**	3
Sale of power and financial transactions with Brookfield Properties Corporation	**1**	3
Sale of power to Katahdin Paper Company	**6**	5
Sale of power and tolling agreement with Fraser New Hampshire	**3**	2
	$40	$42
Investment income and other		
Interest earned on demand deposits with Brascan Corporation	**4**	1
Income from securities with affiliated companies	**5**	8
Income from investments with affiliated companies	**3**	6
	$12	$15
Expenses		
Profit sharing with Noranda Aluminum Inc.[1]	**$ (2)**	$ (4)
Income on interest rate swaps with Brascan Corporation	**-**	1
Interest expense on bridge facility with Brascan Corporation	**-**	2
	$ (2)	$ (1)

[1]Included in power purchases

As a result, the following balance is receivable:

US$ millions	**March 31, 2005**	December 31, 2004
Noranda Inc.	**$11**	$ 12
Brookfield Properties Corporation	**1**	-
Katahdin Paper Company	**8**	4
Fraser New Hampshire	**1**	1
	$ 21	$ 17

As at March 31, 2005, the Company also has demand deposits held with Brascan totalling $272 million (December 31, 2004 - $374 million) included in cash and cash equivalents.

On April 25, 2005, the Company completed the sale to Fraser Papers Inc. of the 25 megawatt cogeneration power plant located in Berlin, New Hampshire for total consideration of $34 million.

CRITICAL ACCOUNTING POLICIES

The consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles, which require the use of estimates and judgment in reporting assets, liabilities, revenues, expenses and contingencies. In the judgment of management, none of the estimates outlined in Note 1 (Summary of Accounting Policies) of the 2004 consolidated financial statements are considered critical accounting estimates as defined in regulation 51-102. Key estimates for the Company include determination of accruals, purchase price allocations, useful lives, asset impairment testing and those relevant to the defined benefit pension and non-pension benefit plans. Estimates are based on historical experience, current trends and various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from those estimates.

CHANGES IN ACCOUNTING POLICIES

Translation of foreign currencies

Effective January 1, 2005, the Company's functional currency changed from the CDN dollar to the US dollar as a result of the increase in US dollar denominated activity in the operations as compared to prior years. The Company adopted the

US dollar as its reporting currency. For additional information on the impact of the change in functional currency, please refer to Note 2 of the March 31, 2005 consolidated financial statements.

Subordinated convertible debentures

On January 1, 2005, the Company adopted the revisions to CICA Handbook Section 3861, Financial Instruments – Disclosure and Presentation on the classification of financial instruments as debt or equity, with retroactive restatement of prior periods. The new rules require that subordinated convertible debentures that are ultimately convertible into a variable number of our common shares at the Company's option and interest payments on the subordinated convertible debentures that can be paid by way of a variable number of common shares at the Company's option be classified as liabilities. The Company reclassified the CDN $248 million subordinated convertible debentures maturing in September 2013 to debt portion of capital securities due to the fact that the principal and interest is convertible into a variable number of common shares. The Company also reclassified CDN $1,096 million of the CDN $1,100 million subordinated convertible debentures maturing in June 2054 to debt portion of capital securities due to the fact that the interest may be paid in a variable number of common shares. For the year ended December 31, 2004, a total of $43 million of the interest expense on the subordinated convertible debentures has been reclassified to interest expense on the Consolidated Statement of Income (period ended March 31, 2004 – $3 million), with the remainder recorded through retained earnings. This change did not impact earnings per share or net income available to common shareholders since subordinated convertible debenture interest expense was deducted from net income in determining those measures in the previous years..

Variable interest entities

On January 1, 2005, the Company adopted the Accounting Guideline 15, Consolidation of Variable Interest Entities ("AcG 15"), issued by the Canadian Institute of Chartered Accountants (CICA). A Variable Interest Entity ("VIE") is any type of legal structure not controlled by voting equity, but rather by contractual or other financial arrangements. A VIE is consolidated by its primary beneficiary, which is the party involved with the VIE that absorbs the majority of the expected losses, received the majority of the expected residual returns, or both. As a result of the adoption of this new standard, the Company is now fully consolidating its proportionate joint venture interests in Powell River Energy Inc. ("PREI") and Powell River Energy Partnership ("PREP"), versus the 50% proportionate consolidation method previously used. The Company is also fully consolidating its 75% residual interest in Louisiana Hydroelectric Power ("LAH"), versus the 75% equity accounting method previous used. The consolidation of these entities did not have an impact on the Company's net income. All 2004 financial comparatives included within these consolidated financial statements have been restated to reflect the full consolidation of PREI, PREP and LAH. For more information on the impact of the consolidation of the Variable Interest entities please refer to Note 2 of the March 31, 2005 consolidated financial statements.

BUSINESS RISKS

The following represents a summary of the most relevant risk factors relating to the Company's business. This summary contains only certain risk factors and is not all-inclusive.

Hydrology

The revenues generated by the power systems are proportional to the amount of electricity generated. The amount of electricity generated by the hydroelectric power systems is dependent upon available water flows. Accordingly, revenues and cash flows may be affected by low and high water flows in the watersheds. There can be no assurance that the long-term historical water availability will remain unchanged or that no material hydrologic event will impact the hydrologic conditions that exist within the watershed. Annual deviations from the long-term average can be significant. The Company strives to mitigate the risk of variable hydrology conditions by acquiring and operating a portfolio of geographically diverse facilities. The diversified locations of our power generating assets assist in balancing the impact of generation fluctuations in any one geographic region. We also have access to hydrology insurance.

Equipment Failure

There is a risk of equipment failure due to wear and tear, latent defect, design error or operator error, among other things, which could adversely affect revenues and cash flows. Although the power systems have operated in accordance with expectations, there can be no assurance that they will continue to do so. Nevertheless, this risk is substantially mitigated by the proven nature of hydroelectric technology, the design of the plants, the power systems' capital programs, adherence to prudent maintenance programs, comprehensive insurance and significant operational flexibility as a result of having generating units which can operate independently.

Foreign Exchange

The price paid for energy produced by our CDN operations is denominated in CDN dollars and, therefore, results may be affected by the fluctuations of the Canadian dollar exchange rate over time. A material decrease in the value of the Canadian dollar may negatively impact the Company's net operating income. The CDN operations' operating expenses and financing costs incurred are also denominated in CDN dollars, thus providing a natural hedge. In addition, we may manage the risk associated with foreign exchange rate fluctuations by entering, from time to time, into forward foreign exchange contracts and engaging in other hedging strategies. To the extent that we engage in risk management activities related to foreign exchange rates, it will then be subject to credit risks associated with the counterparties with which it contracts.

Energy Price Fluctuations

A significant portion of the Company's revenue is tied, either directly or indirectly, to the spot market price for electricity. Electricity price volatility could have a material adverse effect on the Company's business, operating results, financial condition or prospects.

Through its wholly-owned subsidiary BEMI, the Company actively manages its energy production and sales, partly through physical and financial contracts, minimizing the impact of price volatility. The Company's objective is to derive its revenues primarily from PPAs and regulated rate base arrangements and to reduce the amount of non-contracted power by entering short-term financial contracts. For the next two years, more than 80% of the Company's generation is contracted under PPA and short term financial contracts. The remaining power is sold on a wholesale basis. Due to the low variable cost of hydroelectric power and the ability to concentrate generation during peak pricing periods, the Company is able to generate attractive margins on uncommitted capacity. The Company's PPAs have an average term of 14 years and counterparties are almost exclusively customers with long-standing credit history or investment grade ratings. Our policy is to use financial contracts which typically have a term of less than two years to lock in the future price of uncommitted power we are reasonably certain to generate. This approach provides an appropriate level of revenue stability, without exposure to undue risk of contractual shortfalls, and provides the flexibility to enhance profitability through the production of power during peak price periods. These activities are closely monitored through risk management policies. However, there is a transaction risk associated with these activities that could result in losses in extraordinary circumstances. From time-to-time, BEMI may take advantage of very short-term arbitrage opportunities when hourly prices diverge between interconnected markets in its area of operation.

CONSOLIDATED QUARTERLY RESULTS

Variations in quarterly results are correlated with the amount of electricity generated in any given quarter, which is in turn dependent on available water inflows. Other marketing and asset enhancement initiatives also impact the quarterly results.

US $ millions (except otherwise noted)	**2005**	2004[(1)]				2003 [(1)]		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Power generated (GWh)	**2,883**	2,268	1,758	2,137	2,202	1,793	1,492	1,589
Power revenues	**229**	181	149	164	174	107	90	75
Net operating income	**134**	87	79	94	105	52	33	44
Net income before interest on capital securities	**68**	20	33	26	40	N/A	N/A	N/A
Net income	**40**	(7)	23	23	37	15	17	22
Diluted income per share	**0.33**	(0.07)	0.18	0.20	0.31	0.12	0.13	0.17

[1] All 2004 comparatives have been restated following the retroactive adoption of revisions to Section 3861, Financial Instruments- Disclosure and Presentation and Accounting Guideline 15, Consolidation of Variable Interest Entities. The 2003 comparatives have not been restated.

ANNUAL INFORMATION FORM

The Company prepares an Annual Information Form which can be accessed on SEDAR at www.sedar.com.

CERTIFICATION OF INTERIM FILINGS

Form 52-109FT2 – Certification of Interim Filings During Transition Period is attached to this document on SEDAR.

FORWARD-LOOKING STATEMENTS

The Company's financial analysis and review contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The words "believe", "expect", "anticipate", "intend", "estimate" and other expressions which are predictions of or indicate future events and trends and which do not relate to historical matters identify forward-looking statements. Reliance should not be placed on forward-looking statements because they involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Company to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially from those set forth in the forward-looking statements include general economic conditions, weather conditions, interest rates, availability of equity and debt financing and other risks. The Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Donald Tremblay
Senior Vice President and Chief Financial Officer
May 6, 2005