



FINANCIAL REVIEW

INNERGEX

INNERGEX RENEWABLE ENERGY INC.

AT DECEMBER 31, 2016

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and Analysis

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Innergex Renewable Energy Inc. is a leading Canadian independent renewable power producer. Active since 1990, the Corporation develops, owns and operates run-of-river hydroelectric facilities, wind farms, and solar photovoltaic farms and carries out its operations in Quebec, Ontario, British Columbia, France and Idaho (USA). The Corporation's shares are listed on the Toronto Stock Exchange under the symbols INE, INE.PR.A and INE.PR.C and its convertible debentures are listed under the symbol INE.DB.A.

Innergex's mission is to increase its production of renewable energy by developing and operating high-quality facilities while respecting the environment and balancing the best interests of the host communities, its partners and its investors.

2016 HIGHLIGHTS

Innergex and the Cayoose Creek Band completed the acquisition of the 16 MW Walden North hydroelectric project in British Columbia on February 25, 2016.

The Corporation realized its first overseas acquisition on April 15, 2016. The acquisition was comprised of seven wind

power facilities in France with an installed capacity of 86.8 MW.

On April 15, 2016, the Corporation also committed to acquire, upon its commercial commissioning, the 44 MW Yonne wind power project under construction in France. The acquisition was completed on February 21, 2017.

The Corporation began commercial operation of the 40.6 MW Big Silver Creek run-of-river hydroelectric facility located in British Columbia on July 29, 2016.

On December 22, 2016, Innergex completed the acquisition of two wind power facilities in Nouvelle-Aquitaine, France, with an installed capacity of 24 MW, together with Desjardins Group Pension Plan.

The Mesgi'g Ujju's'n wind power facility located in the Gaspé Peninsula in Quebec began commercial operation on December 30, 2016. This 150 MW wind farm is owned by Innergex and the three Mi'gmaq communities of Quebec.

2016 FINANCIAL PERFORMANCE

Electricity production increased **18%** to 3,522 GWh and was 105% of the long-term average

Free Cash Flow generated reached **\$75.7 M**

Revenues rose **19%** to \$292.8 million compared with last year

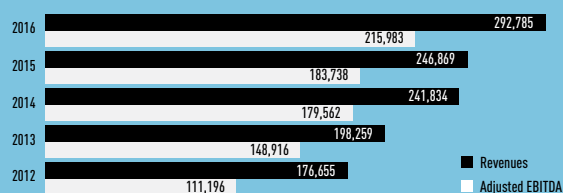
Payout ratio was **91%** compared with 86% last year

Adjusted EBITDA rose **18%** to \$216.0 million compared with last year

On February 23, 2017, the Board of Directors announced an increase of \$0.02 in the annual dividend that the Corporation intends to distribute to its shareholders of common shares. This increase, raising the annual dividend from \$0.64 to \$0.66, payable quarterly, reflects the execution of the Corporation's strategy for building shareholder value, which is to develop or acquire high-quality renewable power production facilities that generate sustainable cash flows and provide an attractive risk-adjusted return on invested capital, and to distribute a stable dividend.

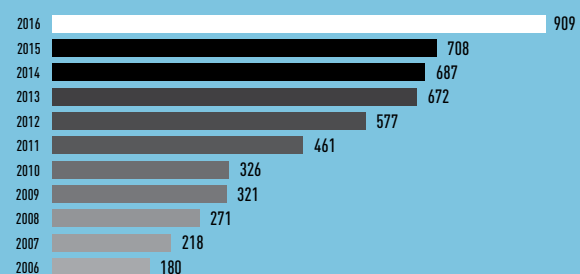
REVENUES AND ADJUSTED EBITDA¹

At December 31
(\$'000s)



NET INSTALLED CAPACITY

At December 31
(MW)



¹ Prepared in accordance with IFRS – excluding joint ventures.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of Canadian dollars, except as noted, and amounts per share)

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") is a discussion of the operating results, cash flows and financial position of Innergex Renewable Energy Inc. ("Innergex" or the "Corporation") for the year ended December 31, 2016, and reflects all material events up to February 23, 2017, the date on which this MD&A was approved by the Corporation's Board of Directors.

The MD&A should be read in conjunction with the audited consolidated financial statements and the accompanying notes for the year ended December 31, 2016.

The audited consolidated financial statements attached to this MD&A and the accompanying notes for the year ended December 31, 2016, along with the 2015 comparative figures, have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Some amounts included in this MD&A have been rounded to make reading easier, which may affect some calculations.

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ESTABLISHMENT AND MAINTENANCE OF DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The President and Chief Executive Officer and the Chief Financial Officer of the Corporation have designed, or caused to be designed, under their supervision:

- Disclosure controls and procedures ("DC&P") to provide reasonable assurance that: (i) material information relating to the Corporation is accumulated and communicated by others to the President and Chief Executive Officer and the Chief Financial Officer in a timely manner, particularly during the period in which the interim and annual filings are being prepared; and (ii) the information required to be disclosed by the Corporation in its annual filings, interim filings and other reports filed or submitted by it under applicable securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.
- Internal control over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS applicable to the Corporation.

In accordance with *Regulation 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings*, the President and Chief Executive Officer and the Chief Financial Officer of the Corporation have evaluated the effectiveness of the Corporation's DC&P and ICFR as at December 31, 2016, and have concluded that they were effective and that there were no material weaknesses relating to the DC&P and ICFR for the year ended December 31, 2016. During the year ended December 31, 2016, there was no change to the ICFR that has materially affected, or is reasonably likely to materially affect, the Corporation's ICFR. They have also limited the scope of the Corporation's design of DC&P and ICFR to exclude the controls policies and procedures of Energie Antioigné, Energie du Porcien, Eoles Beaumont S.A.S., Energie des Cholletz, Eoliennes de Longueval, Energie Des Valottes, Société d'Exploitation du Parc Éolien du Bois d'Anchat, Montjean Energies and Theil Rabier Energies (the "French Entities"). The design and evaluation of the operating effectiveness of the DC&P and ICFR for the French Entities will be completed in the 12 months following the dates of acquisition. A summary of the financial information about the French Entities is presented in the Non-wholly Owned Subsidiaries section of this MD&A.

FORWARD-LOOKING INFORMATION

To inform readers of the Corporation's future prospects, this MD&A contains forward-looking information within the meaning of applicable securities laws ("Forward-Looking Information"). Forward-Looking Information can generally be identified by the use of words such as "approximately", "may", "will", "could", "believes", "expects", "intends", "should", "plans", "potential", "project", "anticipates", "estimates", "scheduled" or "forecasts", or other comparable terminology that state that certain events will or will not occur. It represents the projections and expectations of the Corporation relating to future events or results as of the date of this MD&A.

Future-oriented financial information: Forward-Looking Information includes future-oriented financial information or financial outlook within the meaning of securities laws, such as expected production, projected revenues, projected Adjusted EBITDA, projected Free Cash Flow and estimated project costs, to inform readers of the potential financial impact of expected results, of the expected commissioning of Development Projects, of the potential financial impact of the acquisitions of the French Entities, of the Corporation's ability to sustain current dividends and dividend increases and of its ability to fund its growth. Such information may not be appropriate for other purposes.

Assumptions: Forward-Looking Information is based on certain key assumptions made by the Corporation, including those concerning hydrology, wind regimes and solar irradiation, performance of operating facilities, financial market conditions and the Corporation's success in developing new facilities.

Risks and uncertainties: Forward-Looking Information involves risks and uncertainties that may cause actual results or performance to be materially different from those expressed, implied or presented by the Forward-Looking Information. These are referred to in the Corporation's *Annual Information Form* in the "Risk Factors" section and include, without limitation: the ability of the Corporation to execute its strategy for building shareholder value; its ability to raise additional capital and the state of capital markets; liquidity risks related to derivative financial instruments ("Derivatives"); variability in hydrology, wind regimes and solar irradiation; delays and cost overruns in the design and construction of projects; the ability to secure new power purchase agreements or to renew any power purchase agreement; health, safety and environmental risks; uncertainties surrounding the development of new facilities; obtainment of permits; equipment failure or unexpected operations and maintenance activity; interest rate fluctuations and refinancing risk; financial leverage and restrictive covenants governing current and future indebtedness; the possibility that the Corporation may not declare or pay a dividend; changes in governmental support to increase electricity to be generated from renewable sources by independent power producers; variability of installation

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of Canadian dollars, except as noted, and amounts per share)

performance and related penalties; the ability to attract new talent or to retain officers or key employees; litigation; performance of major counterparties; social acceptance of renewable energy projects; relationships with stakeholders; equipment supply; the exposure to many different forms of taxation in various jurisdictions; changes in general economic conditions; regulatory and political risks; the ability to secure appropriate land; reliance on power purchase agreements; availability and reliability of transmission systems; foreign market growth and development risks; foreign exchange fluctuations; increases in water rental cost or changes to regulations applicable to water use; assessment of water, wind and sun resources and associated electricity production; dam failure; natural disasters and *force majeure*; cybersecurity; sufficiency of insurance coverage limits and exclusions; a credit rating that may not reflect actual performance of the Corporation or a lowering (downgrade) of the credit rating; potential undisclosed liabilities associated with acquisitions; integration of the facilities and projects acquired and to be acquired; failure to realize the anticipated benefits of acquisitions; reliance on shared transmission and interconnection infrastructure; and the fact that revenues from the Miller Creek facility will vary based on the spot price of electricity.

Although the Corporation believes that the expectations and assumptions on which Forward-Looking Information is based are reasonable under the current circumstances, readers are cautioned not to rely unduly on this Forward-Looking Information as no assurance can be given that it will prove to be correct. Forward-Looking Information contained herein is made as at the date of this MD&A and the Corporation does not undertake any obligation to update or revise any Forward-Looking Information, whether as a result of events or circumstances occurring after the date hereof, unless so required by law.

Forward-Looking Information in this MD&A

The following table outlines the Forward-Looking Information contained in this MD&A, which the Corporation considers important to better inform readers about its potential financial performance, together with the principal assumptions used to derive this information and the principal risks and uncertainties that could cause actual results to differ materially from this information.

Principal Assumptions	Principal Risks and Uncertainties
<p>Expected production</p> <p>For each facility, the Corporation determines a long-term average annual level of electricity production ("LTA") over the expected life of the facility, based on engineers' studies that take into consideration a number of important factors: for hydroelectricity, the historically observed flows of the river, the operating head, the technology employed and the reserved aesthetic and ecological flows; for wind energy, the historical wind and meteorological conditions and turbine technology; and for solar energy, the historical solar irradiation conditions, panel technology and expected solar panel degradation. Other factors taken into account include, without limitation, site topography, installed capacity, energy losses, operational features and maintenance. Although production will fluctuate from year to year, over an extended period it should approach the estimated long-term average. On a consolidated basis, the Corporation estimates the LTA by adding together the expected LTA of all the facilities in operation that it consolidates (excludes Umbata Falls and Viger-Denonville, which are accounted for using the equity method).</p>	<p>Improper assessment of water, wind and sun resources and associated electricity production</p> <p>Variability in hydrology, wind regimes and solar irradiation</p> <p>Equipment failure or unexpected operations and maintenance activity</p> <p>Natural disaster</p>
<p>Projected revenues</p> <p>For each facility, expected annual revenues are estimated by multiplying the LTA by a price for electricity stipulated in the power purchase agreement secured with a public utility or other creditworthy counterparty. These agreements stipulate a base price and, in some cases, a price adjustment depending on the month, day and hour of delivery, except for the Miller Creek hydroelectric facility, which receives a price based on a formula using the Platts Mid-C pricing indices, and the Horseshoe Bend hydroelectric facility, for which 85% of the price is fixed and 15% is adjusted annually as determined by the Idaho Public Utility Commission. In most cases, power purchase agreements also contain an annual inflation adjustment based on a portion of the Consumer Price Index. On a consolidated basis, the Corporation estimates annual revenues by adding together the projected revenues of all the facilities in operation that it consolidates (excludes Umbata Falls and Viger-Denonville, which are accounted for using the equity method).</p>	<p>Production levels below the LTA caused mainly by the risks and uncertainties mentioned above</p> <p>Unexpected seasonal variability in the production and delivery of electricity</p> <p>Lower-than-expected inflation rate</p>

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of Canadian dollars, except as noted, and amounts per share)

Principal Assumptions	Principal Risks and Uncertainties
<p>Projected Adjusted EBITDA</p> <p>For each facility, the Corporation estimates annual operating earnings by subtracting from the estimated revenues the budgeted annual operating costs, which consist primarily of operators' salaries, insurance premiums, operations and maintenance expenditures, property taxes and royalties; these are predictable and relatively fixed, varying mainly with inflation (except for maintenance expenditures). On a consolidated basis, the Company estimates annual Adjusted EBITDA by adding together the projected operating earnings of all the facilities in operation that it consolidates (excludes Umbata Falls and Viger-Denonville, which are accounted for using the equity method), from which it subtracts budgeted general and administrative expenses, comprised essentially of salaries and office expenses, and budgeted prospective project expenses, which are determined based on the number of prospective projects the Corporation chooses to develop and the resources required to do so.</p>	<p>Variability of facility performance and related penalties</p> <p>Changes to water and land rental expenses</p> <p>Unexpected maintenance expenditures</p> <p>Changes in the purchase price of electricity upon renewal of a PPA</p>
<p>Estimated project costs, expected obtainment of permits, start of construction, work conducted and start of commercial operation for Development Projects or Prospective Projects</p> <p>For each development project, the Corporation provides an estimate of project costs based on its extensive experience as a developer, directly related incremental internal costs, site acquisition costs and financing costs, which are eventually adjusted for the projected costs provided by the engineering, procurement and construction ("EPC") contractor retained for the project.</p> <p>The Corporation provides indications regarding scheduling and construction progress for its Development Projects and indications regarding its Prospective Projects, based on its extensive experience as a developer.</p>	<p>Performance of counterparties, such as the EPC contractors</p> <p>Delays and cost overruns in the design and construction of projects</p> <p>Obtainment of permits</p> <p>Equipment supply</p> <p>Interest rate fluctuations and financing risk</p> <p>Relationships with stakeholders</p> <p>Regulatory and political risks</p> <p>Higher-than-expected inflation</p> <p>Natural disaster</p>
<p>Projected Free Cash Flow and intention to pay dividend quarterly</p> <p>The Corporation estimates Free Cash Flow as projected cash flow from operations before changes in non-cash operating working capital items, less estimated maintenance capital expenditures net of proceeds from disposals, scheduled debt principal payments, preferred share dividends and the portion of Free Cash Flow attributed to non-controlling interests, plus cash receipts by the Harrison Hydro L.P. for the wheeling services to be provided to other facilities owned by the Corporation over the course of their power purchase agreement. It also adjusts for other elements, which represent cash inflows or outflows that are not representative of the Corporation's long-term cash generating capacity, such as adding back transaction costs related to realized acquisitions (which are financed at the time of the acquisition), adding back realized losses or subtracting realized gains on derivative financial instruments used to fix the interest rate on project-level debt or the exchange rate on equipment purchases.</p> <p>The Corporation estimates the annual dividend it intends to distribute based on the Corporation operating results, cash flows, financial conditions, debt covenants, long term growth prospects, solvency, test imposed under corporate law for declaration of dividends and other relevant factors.</p>	<p>Adjusted EBITDA below expectations caused mainly by the risks and uncertainties mentioned above and by higher prospective project expenses</p> <p>Project costs above expectations caused mainly by the performance of counterparties and delays and cost overruns in the design and construction of projects</p> <p>Regulatory and political risk</p> <p>Interest rate fluctuations and financing risk</p> <p>Financial leverage and restrictive covenants governing current and future indebtedness</p> <p>Unexpected maintenance capital expenditures</p> <p>Possibility that the Corporation may not declare or pay a dividend</p>
<p>Intention to submit projects under requests for proposals</p> <p>The Corporation provides indications of its intention to submit projects under requests for proposals based on the state of readiness of some of its Prospective Projects and their compatibility with the announced terms of these requests for proposals.</p>	<p>Regulatory and political risks</p> <p>Ability of the Corporation to execute its strategy for building shareholder value</p> <p>Ability to secure new PPAs</p>

NON IFRS MEASURES

This MD&A has been prepared in accordance with IFRS. However, some measures referred to in this MD&A are not recognized measures under IFRS and therefore may not be comparable to those presented by other issuers. Innergex believes that these indicators are important, as they provide management and the reader with additional information about the Corporation's production and cash generation capabilities, its ability to sustain current dividends and dividend increases and its ability to fund its growth. These indicators also facilitate the comparison of results over different periods. Adjusted EBITDA, Adjusted Net Earnings, Free Cash Flow and Payout Ratio are not measures recognized by IFRS and have no standardized meaning prescribed by IFRS.

References in this document to "Adjusted EBITDA" are to revenues less operating expenses, general and administrative expenses and prospective project expenses.

References to "Adjusted Net Earnings" are to net earnings of the Corporation, to which the following elements are added (subtracted): unrealized net (gain) loss on financial instruments; realized (gain) loss on financial instruments; impairment of

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of Canadian dollars, except as noted, and amounts per share)

project development costs; income tax expense (recovery) related to the above items; and the share of unrealized net (gain) loss on derivative financial instruments of joint ventures, net of related tax. Innergex uses derivative financial instruments to hedge its exposure to various risks, such as interest rate and foreign exchange risks. Accounting for derivatives under International Accounting Standards requires that all derivatives are marked-to-market with changes in the mark-to-market of the derivatives for which hedge accounting is not applied being taken to the profit and loss account. The application of this accounting standard results in a significant amount of profit and loss volatility arising from the use of derivatives that are not designated for hedge accounting. The Adjusted Net Earnings of the Corporation aims to eliminate the impact of the mark-to-market rules on derivatives and the effect of impairment of projects development costs on the profit and loss of the Corporation.

References to "Free Cash Flow" are to cash flows from operating activities before changes in non-cash operating working capital items, less maintenance capital expenditures net of proceeds from disposals, scheduled debt principal payments, preferred share dividends declared and the portion of Free Cash Flow attributed to non-controlling interests, plus cash receipts by the Harrison Hydro Limited Partnership for the wheeling services to be provided to other facilities owned by the Corporation over the course of their PPA, plus or minus other elements that are not representative of the Corporation's long-term cash generating capacity, such as transaction costs related to realized acquisitions (which are financed at the time of the acquisition), realized losses or gains on derivative financial instruments used to hedge the interest rate on project-level debt or the exchange rate on equipment purchases.

References to "Payout Ratio" are to dividends declared on common shares divided by Free Cash Flow.

Readers are cautioned that Adjusted EBITDA and Adjusted Net Earnings should not be construed as an alternative to net earnings and Free Cash Flow should not be construed as an alternative to cash flows from operating activities, as determined in accordance with IFRS.

ADDITIONAL INFORMATION AND UPDATES

Additional information relating to Innergex, including its *Annual Information Form*, can be found on the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval ("SEDAR") at sedar.com or on the Corporation's website at innergex.com. Information contained in or otherwise accessible through our website does not form part of this MD&A and is not incorporated into the MD&A by reference.

OVERVIEW

The Corporation is a developer, owner and operator of renewable power-generating facilities with a focus on hydroelectric, wind power and solar photovoltaic ("PV") projects that benefit from low operating and management costs and simple, proven technologies.

Portfolio of Assets

As at the date of this MD&A, the Corporation owns interests in three groups of power-generating projects:

- 47 facilities in commercial operation (the "Operating Facilities"). Commissioned between 1992 and January 2017, the facilities have a weighted average age of approximately 8.5 years. They sell the generated power under long-term Power Purchase Agreements ("PPA") that have a weighted average remaining life of 18.8 years (based on gross long-term average production);
- Two projects scheduled to begin commercial operations in the first and second quarter of 2017 (all together the "Development Projects"). Construction is ongoing at these two projects;
- Numerous projects that have secured land rights, for which an investigative permit application has been filed or for which a proposal has either been or could be submitted under a Request for Proposal or a Standing Offer Program (collectively the "Prospective Projects"). These projects are at various stages of development.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of Canadian dollars, except as noted, and amounts per share)

The following chart diagrams the Corporation's direct and indirect interests in the Operating Facilities, Development Projects and Prospective Projects.

INNERGEX

	Operating Facilities	Development Projects	Prospective Projects
Hydro			
Gross capacity:	624.8 MW	106.7 MW	990.0 MW
Net capacity ¹ :	487.7 MW	71.1 MW	840.0 MW
Wind			
Gross capacity:	918.2 MW	-	2,800.0 MW
Net capacity ¹ :	418.6 MW	-	2,570.0 MW
Solar			
Gross capacity:	33.2 MW	-	150.0 MW
Net capacity ¹ :	33.2 MW	-	150.0 MW
Total			
Gross capacity:	1576.2 MW	106.7 MW	3,940.0 MW
Net capacity ¹ :	939.4 MW	71.1 MW	3,560.0 MW

1. Net capacity represents the proportional share of the total capacity attributable to Innergex, based on its ownership interest in these facilities and projects. The remaining capacity is attributable to the partners' ownership share.

BUSINESS STRATEGY

The Corporation's strategy for building shareholder value is to develop or acquire high-quality renewable power production facilities that generate sustainable cash flows and provide an attractive risk-adjusted return on invested capital and to distribute a stable dividend.

Produce Only Renewable Energy

The Corporation is committed to producing electricity exclusively from renewable energy sources.

Develop Sustainably

In conducting its business, the Corporation strives to achieve a balance between economic, social and environmental considerations and is committed to planning, deciding, managing, and operating through the lens of sustainability.

Maintain Diversification of Energy Sources

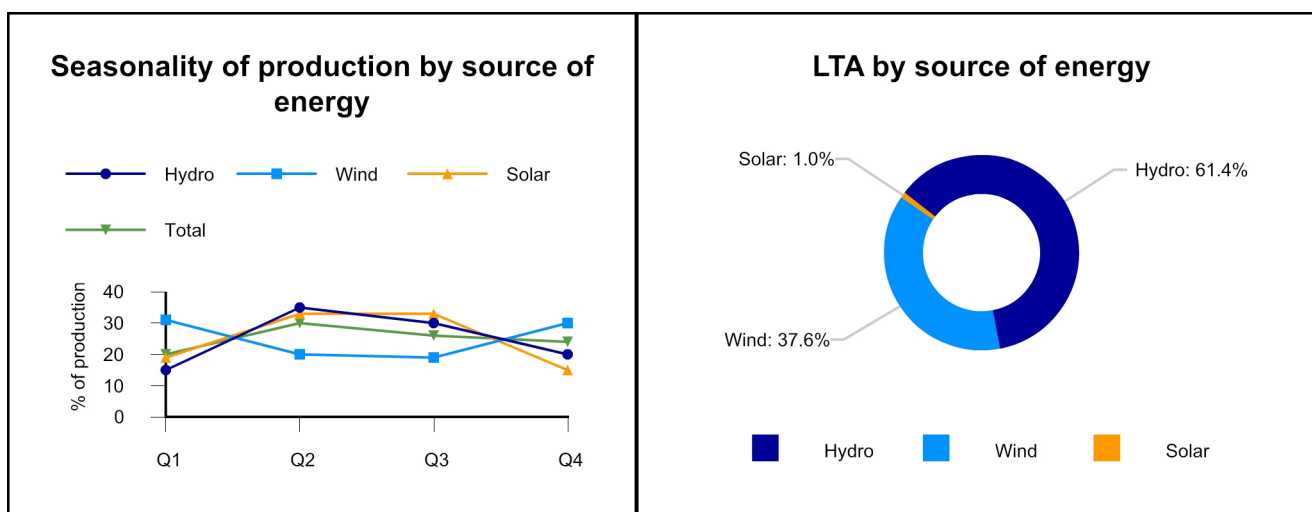
The amount of electricity generated by the Operating Facilities is generally dependent on the availability of water flows, wind regimes and solar irradiation. Lower-than-expected water flows, wind regimes or solar irradiation in any given year could have an impact on the Corporation's revenues and hence on its profitability. Innergex owns interests in 29 hydroelectric facilities, which draw on 26 watersheds, 17 wind farms and 1 solar farm, providing significant diversification in terms of operating revenue sources. Furthermore, the nature of hydroelectric, wind and solar power generation partially offsets any seasonal variations, as illustrated in the following table:

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of Canadian dollars, except as noted, and amounts per share)

In GWh and %	Consolidated long-term average production ¹								
	Q1		Q2		Q3		Q4		Total
HYDRO	357.9	15%	919.6	35%	789.8	30%	523.4	20%	2,590.7
WIND	486.9	31%	324.9	20%	299.1	19%	471.9	30%	1,582.8
SOLAR	7.2	19%	12.4	33%	12.5	33%	5.7	15%	37.9
Total	852.0	20%	1,256.8	30%	1,101.4	26%	1,001.1	24%	4,211.3

1. The consolidated long-term average production is the annualized LTA for the facilities in operation at February 23, 2017. The LTA is presented in accordance with revenue recognition accounting rules under IFRS and excludes production from facilities that are accounted for using the equity method, which is presented in the Investments in Joint Ventures section.



Develop Strategic Relationships

Strategic relationships and partnerships are an important component of the Corporation's business strategy. When the Corporation teams up with a strategic or financial partner, the Corporation and the partner share ownership of the projects concerned. Current strategic partners include TransCanada Energy Ltd. (owner of 62% of the Baie-des-Sables, L'Anse-à-Valleau, Carleton, Montagne Sèche and Gros-Morne wind farms), the Ojibways of the Pic River First Nations (owner of 51% of the Umbata Falls facility), the Kanaka Bar Indian Band (owner of 50% of the Kwoiek Creek facility), the Rivière-du-Loup Regional County Municipality (owner of 50% of the Viger-Denonville community wind farm), Ledcor Power Group Ltd. (owner of 33¹/₃ of the Fitzsimmons Creek facility, the Boulder Creek and Upper Lillooet River Development Projects as well as other Creek Power Inc. Prospective Projects), the Mi'gmawei Mawiomi (or the Mi'gmaq First Nations of Quebec) (owner of 50% of the Mesgi'g Ugiu's'n wind farm) and the Minganie Regional County Municipality (owner of 0.001% of the common units and 30% of the voting units of the Magpie hydroelectric facility). Current financial partners include CC&L Harrison Hydro Project Limited Partnership and LPF (Surfside) Development L.P. (owners of 34.99% and 15.00% of Harrison Hydro Limited Partnership respectively) as well as the Desjardins Group Pension Plan ("Desjardins") (owner of 49.99% of the Sainte-Marguerite hydroelectric facility and of 30.45% of the French Entities).

Pursue Opportunities for Renewable Energy Growth

Growing awareness and concern over issues such as climate change, access to clean energy, energy security, energy efficiency and the environmental impacts of conventional fossil fuels are leading governments around the world to increase their demand for and commitments to the development of renewable energy supply. Consequently, the Corporation believes that the outlook for the renewable energy industry is promising.

Key Growth Factors

The Corporation's future growth will be affected by the following key factors:

- Demand for renewable energy;

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of Canadian dollars, except as noted, and amounts per share)

- Stable and long-term government policies for the procurement of new renewable energy capacity, whether through requests for proposals or other mechanisms;
- Its capacity to evaluate and secure the best prospective sites for the development of new projects in cooperation with local communities;
- Its ability to enter into attractive PPAs and obtain the required environmental and other permits;
- Its ability to adequately forecast total construction costs, expected revenues and expected expenses for each project;
- Its ability to make accretive acquisitions; and
- Its ability to finance its growth.

Key Geographic Markets

In Canada, the Corporation continues to seek potential opportunities and to participate in request for proposals when available. The Federal Government, through the Pan-Canadian Framework on Clean Growth and Climate Change is advancing a suite of new policies that will likely increase the market for renewable electricity. While there are no current requests for proposal (RFP) in Quebec, Ontario and British Columbia, the Corporation is well positioned to take advantage of longer term opportunities due to our operational presence. Also, new markets present greater opportunities for growth such as Alberta, Saskatchewan and New Brunswick. All three provinces have set aggressive targets for generating electricity from renewable sources by 2030.

To replenish its sources of long-term growth, the Corporation has also identified a number of target markets internationally in which it expects to gain a foothold in the coming years.

In 2016, the Corporation established its presence in France with the acquisition of nine wind farms and in 2017, it deployed a local development team to secure projects that could be submitted for feed-in-tariff contracts and continues to assess a number of other renewable energy opportunities. Since 2007, France has put in place a strategy for developing renewable energies within its territory. The French onshore wind market is very active with the objective, announced in October 2016, of reaching 22,000 to 26,000 MW wind capacity in 2023 from about 12,000 MW in 2016. The feed-in-tariff contract structure will be changed to a premium system under which wind farms of up to six turbines will sell their electricity directly to the market and receive a premium under a 20-year premium contract. The new base is to be finalized in the first quarter of 2017.

In the United States, the Corporation will continue to selectively assess potential opportunities in light of the existence of renewable portfolio standards (RPS) in several states and the increasing procurement of renewable energy. According to the US Energy Information Association, electricity generation from renewable energy is expected to rise from 13% in 2013 to 18% by 2040, with nearly 70 GW of new wind and solar PV capacity expected to be added from 2017-2021, encouraged by declining capital costs and the availability of tax credits. In many markets across the US, wind and solar energy are already among the least costly new generation sources, even compared with currently low-cost natural gas.

In developing economies in Latin America, demand for electricity remains strong and governments are seeking to increase the production of renewable energy, of which they have an ample supply. More economically mature countries in Europe have adopted ambitious GHG emissions reduction targets and governments are seeking to reduce their dependency on conventional forms of generation, both of which developments require a greater proportion of renewable energy in these countries' energy portfolios. There are a number of markets to which the Corporation believes it can largely transpose its business model for developing and operating renewable energy assets.

Pursue Growth Opportunities Through Acquisitions

Acquisitions are an important component of the Corporation's business strategy. More specifically, the Corporation will seek acquisitions that will enable it to gain a foothold and develop a critical mass in identified target markets internationally. It will also seek acquisitions in order to consolidate its leadership position in the Canadian renewable energy industry. As it has done in the past, Innergex will continue to focus on hydroelectric, wind and solar power generation assets. The Corporation could also grow through expansion into other forms of renewable energy production if profitable opportunities arise.

Maintain Capacity for Delivering Results

The Corporation does business in a competitive sector. The experience and dedication of its management team constitute its strongest asset. Through careful management, it has established a track record of completing projects by the commercial operation start date specified in their PPA while adhering to the established construction budgets. The Corporation's employees possess the specialized knowledge and skills necessary to carry out its business. The Corporation can also rely on a network of technical, financial and legal partners and has proved its ability to complement its internal capabilities with efficient use of external consultants when required. In addition, the Corporation retains the services of several engineering firms to assist with

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of Canadian dollars, except as noted, and amounts per share)

the feasibility analysis of its projects. As at December 31, 2016, the Corporation employed a total of 202 persons (including Cartier Wind Energy employees).

Use Key Performance Indicators

The Corporation measures its performance using key performance indicators that include or could include comparing power generated in megawatt-hours ("MWh") and gigawatt-hours ("GWh") with a long-term average, Adjusted EBITDA and Adjusted EBITDA Margin, Free Cash Flow, Adjusted Net Earnings and Payout Ratio. These indicators are not recognized measures under IFRS, have no standardized meaning prescribed by IFRS and therefore may not be comparable with those presented by other issuers. The Corporation believes that these indicators are important, as they provide management and the reader with additional information about the Corporation's production and cash generating capabilities, its ability to sustain current dividends and dividend increases and its ability to fund its growth. These indicators also facilitate the comparison of results over different periods. Please refer to the "Non-IFRS Measures" section for more information.

Dividend Policy

The Corporation intends to distribute an annual dividend of \$0.66 per common share, payable quarterly.

The Corporation's dividend policy is determined by its Board of Directors and is based on the Corporation's operating results, cash flows, financial condition, debt covenants, long-term growth prospects, solvency tests imposed under corporate law for the declaration of dividends and other relevant factors.

MARKET TRENDS

Renewable power producers are involved in the generation of electricity from renewable energy sources including hydro, wind, solar, landfill gas and geothermal sources.

While traditional regulated utilities continue to dominate electricity generation markets, the growing importance of the role played by independent power producers in meeting future electricity needs is now acknowledged and the benefits of their power output have increasingly been recognized by government authorities and policymakers in recent years.

There are several factors that explain the growing role played by independent power producers in supplying renewable power, including: the growing demand for energy; increasing awareness of the benefits of renewable energy in addressing the impacts of climate change; the increase in government-sponsored incentives to develop renewable energy capacity; the availability of long-term renewable energy purchase contracts with highly creditworthy counterparties, allowing independent power producers to develop new projects in a low-risk environment with the expectation of stable long-term contractual cash flows; the implementation of non-discriminatory access to transmission systems, providing independent power producers with access to regional electricity markets; and the rapidly improving cost-competitiveness of renewable energy and efficiency of independent power producers. While the plentiful supply of natural gas in recent years has resulted in low market prices that have increased the attractiveness of this source of energy for producing electricity in many parts of the world, technological improvements and economies of scale have significantly reduced the costs of renewable energy procurement, in particular wind and solar power. In many markets, electricity produced from these sources is cost-competitive with energy produced from natural gas and its cost is much more stable over the long run because it is not subject to fluctuations in the price of the underlying resource year over year.

Over and above the foregoing, a significant push for developing renewable energy worldwide and implementing a global energy transition toward clean and renewable energy came during the 21st Conference of Parties, which was held in Paris, France in 2015. The agreement that came out of the 2015 Paris Climate Conference (the "Paris Agreement") is a legally binding, universal agreement on climate, with the aim of keeping global warming well below 2°C. The Paris Agreement establishes long-term vision in order to greatly reduce global emissions and phase out carbon from the world's energy sources through the deployment of and an important transition to renewable energy within each national energy strategy. On October 5, 2016, the threshold for entry into force of the Paris Agreement was achieved. The Paris Agreement entered into force on November 4, 2016. The first session of the Conference of the Parties serving as the Meeting of the Parties to the Paris Agreement (CMA 1) took place in Marrakech, Morocco in November 2016.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of Canadian dollars, except as noted, and amounts per share)

Renewable Power in Canada

Over the past few years, the significant growth in renewable power generation in Canada has resulted from: the increased cost of large-scale hydroelectric sites; public concern over nuclear power generation, air quality, and greenhouse gases; improvements in renewable energy technologies; and shorter construction lead times for some renewable energy projects. Renewable electricity generation in Canada is also supported by federal and provincial incentives, such as long-term fixed price contracts, accelerated depreciation and Renewable Portfolio Standards, which are explained below.

In response to the long-term trend toward stronger environmental protection policies, many provincial governments have introduced Renewable Portfolio Standards ("RPS"), which typically set a target for an increased component of renewable energy in their electricity generation supply mix in order to reduce greenhouse gas emissions over time. These RPS typically reflect the distinct resource issues associated with electricity generation, given the provinces' respective electricity industry structures and geographical conditions. While RPS are sometimes applied and implemented as goals or targets rather than mandatory requirements, provincial authorities or their utilities are using RPS to source renewable generation resources and, in some cases, offer PPAs through competitive bidding processes. The competitive bidding process seeks to ensure that the RPS are achieved at the lowest possible cost and with the highest probability of project completion. By simplifying the negotiation and financing processes and decreasing the transactional costs for obtaining a long-term PPA, these mechanisms can contribute to meeting renewable energy generation goals. Several provinces have set a specific target percentage of electricity to be generated from renewable sources, including British Columbia (100% of total electricity from clean or renewable resources), and Ontario (the current Long-Term Energy Plan calls for an increase in hydro energy capacity to 9,300 MW and the development of 10,700 MW of installed wind, solar and bioenergy capacity by 2021). In addition, Alberta has committed to being 30% renewable electricity by 2030 (corresponding to the procurement of approximately 5,000 MW of renewable electricity) and Saskatchewan has committed to being 50% renewable electricity by 2030 (corresponding to the procurement of approximately 1,600 MW of new wind energy between 2016 and 2030 and a small amount of solar energy; the province is also exploring geothermal energy).

Canada enjoys a unique abundance of hydrological resources. With an estimated installed hydroelectric capacity of more than 75,000 MW, it is the third largest hydroelectric energy producer in the world. Furthermore, according to the Canadian Hydropower Association, the country has an undeveloped, technically feasible potential estimated at 163,000 MW. Despite the competition for appropriate sites and the challenges associated with power transmission over great distances, the low operational costs and long project lives of these facilities suggest that hydroelectric power generation will remain a major affordable supply source for many years. Transmission corridors in Canada have traditionally run directly from major generation facilities to major demand centres, meaning that strategic investments in new transmission corridors will play an important role in the development of hydroelectric projects and other isolated renewable energy generation projects.

Over the last few years, according to the National Energy Board, wind power has become commercially viable and emerged as the fastest growing segment of the renewable power industry in Canada. The Canadian Wind Energy Association ranks Canada as the seventh largest producer of wind energy in the world, with an installed wind power capacity of more than 11,205 MW, and, in 2016, Canada was the seventh largest market for new wind development in the world. The wind industry in Canada is growing at a rate of 18% per year (1,327 MW/year). Several reasons explain the robustness of the wind energy industry, including the improving cost-competitiveness of wind energy due to economies of scale and technological improvements, provincial RPS, relatively short construction timelines, favourable wind resources, including strong winds across a wide range of rural areas and vast shorelines, and provincial renewable energy RFPs. The usual challenges of resource availability and transmission exist in Canada and, in some areas, access to transmission lines with available capacity is an economic or regulatory consideration.

A solar energy industry has emerged in Canada in recent years and future growth is focused on opportunities in the Prairies. According to CanSIA, by the end of 2015, Canada had more than 2,500 MW of cumulative installed solar electricity capacity. In 2015 alone, a record 700 MW was added, earning Canada a place in the top-ten largest national markets globally. Production costs for solar energy continue to decline rapidly due to technological improvements and economies of scale.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of Canadian dollars, except as noted, and amounts per share)

SELECTED ANNUAL INFORMATION

	Year ended December 31		
	2016	2015	2014
PRODUCTION			
Power generated (MWh)	3,521,645	2,987,637	2,962,450
LTA (MWh)	3,364,907	3,054,642	2,964,070
Production as percentage of LTA	105%	98%	100%
STATEMENT OF EARNINGS			
Revenues	292,785	246,869	241,834
Adjusted EBITDA	215,983	183,738	179,562
Adjusted EBITDA Margin	73.8%	74.4%	74.3%
Net earnings (loss)	32,043	(48,383)	(84,378)
<i>Net earnings (loss) attributable to owners of the parent</i>	35,963	(30,301)	(54,853)
<i>(\$ per common share - basic)</i>	0.28	(0.37)	(0.63)
<i>(\$ per common share - diluted)</i>	0.28	(0.37)	(0.63)
Weighted average number of common shares (in 000s)	106,883	102,304	98,341
STATEMENT OF FINANCIAL POSITION			
Total assets	3,604,204	3,128,303	2,716,015
Current liabilities	220,370	185,170	202,035
Long-term debt	2,507,236	2,160,438	1,610,800
Other long-term liabilities	296,526	217,708	260,937
Liability portion of convertible debentures	94,840	93,430	80,018
Total non-current liabilities	2,898,602	2,471,576	1,951,755
Non-controlling interests	14,712	21,907	47,411
Equity attributable to owners	470,520	449,650	514,814
DIVIDENDS			
Dividend declared per Class A Preferred Share	0.90	1.25	1.25
Dividend declared per Class C Preferred Share	1.4375	1.4375	1.4375
Dividend declared per common share	0.64	0.62	0.60
PAYOUT RATIO			
Dividends declared on common shares	68,524	63,646	59,549
Free Cash Flow ¹	75,703	74,386	67,744
Payout Ratio ¹	91%	86%	88%

1. For more information on the calculation and explanation of the Corporation's Free Cash Flow and Payout Ratio, please refer to the Free Cash Flow and Payout Ratio section.

Comparison between 2016, 2015 and 2014

For the year ended December 31, 2016, the increase in power generated, revenues and Adjusted EBITDA are equally attributable to better results in all hydroelectricity markets except Ontario and to the contribution of the recently commissioned or acquired facilities, which were partly offset by lower production and revenues related to from the wind regime in Quebec.

The \$32.0 million net earnings for the year ended December 31, 2016, compared with a net loss of \$48.4 million for the same period last year, can be explained mainly by the \$32.2 million increase in Adjusted EBITDA and by a \$38.2 million net loss on derivative financial instruments in 2015 and by the recognition, in 2015, of a \$51.7 million impairment of project development costs, partly offset by higher finance costs, higher amortization and depreciation costs and an income tax expense (compared with a recovery in 2015).

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of Canadian dollars, except as noted, and amounts per share)

The increase in total assets is due mainly to investments made by the Corporation in the ongoing construction of the Boulder Creek and Upper Lillooet River development projects, the Big Silver Creek project commissioned in July 2016 and the Mesgi'g Ujju's'n project commissioned in December 2016 as well as to the investments made to acquire the Walden hydroelectric facility and purchase the French Entities.

The increase in long-term debt results mainly from the addition of the French Entities project-level debts, the issuance of a \$38.2 million debenture carrying an interest rate of 8.0% to Desjardins for its investment in the French Entities, additional drawings on Innergex's credit facility, Stardale's long-term debt increase on its borrowing and additional drawings on Upper Lillooet River and Boulder Creek, and Mesgi'g Ujju's'n's financings, partly offset by the scheduled repayment of project-level debts.

The increase in equity attributable to owners is due mainly to the recognition of net earnings attributable to owners of the parent of \$32.5 million and the issuance of new common shares for \$54.3 million, partially compensated by the declaration of dividends on preferred and common shares in 2016.

The increase in Free Cash Flow is due mainly to higher cash flows from operating activities in 2016 before changes in non-cash operating working capital items and realized losses on derivative financial instruments (none in 2016), which were partly offset by greater scheduled debt principal payments and higher free cash flow attributed to non-controlling interests. The Corporation also decided to invest more to pursue growth opportunities in new international markets, resulting in a higher payout ratio of 91%.

For the year ended December 31, 2015, the increases in power generated, revenues and Adjusted EBITDA are attributable mainly to the full-year contribution of the Sainte-Marguerite hydroelectric facility acquired in June 2014, the addition of the Tretheway Creek hydroelectric facility commissioned at the end of 2015 and above-average wind regimes. The \$48.4 million net loss for the year ended December 31, 2015, compared with a \$84.4 million net loss for the same period last year, is attributable mainly to the recognition of an impairment expense of \$51.7 million (\$nil in 2014) by the Corporation in relation to some of project development costs and the smaller negative impact of derivative financial instruments, namely a \$119.6 million realized loss on derivative financial instruments partly offset by a \$81.4 million unrealized gain on derivative financial instruments, compared with a \$121.7 million unrealized loss and a \$8.4 million realized loss on derivative financial instruments in 2014.

The increase in total assets in 2015 is due mainly to investments by the Corporation in ongoing construction costs of the Corporation's Boulder Creek and Upper Lillooet River Development Projects, and in the Big Silver Creek project commissioned in July 2016, the Mesgi'g Ujju's'n project commissioned in December 2016 and the Tretheway Creek project commissioned in October 2015. The increase in long-term debt is again attributable mainly to the addition of Development Projects-level debts partly offset by a reduction in the revolving credit term facility. The increase in the liability portion of convertible debentures in 2015 is due to the fact that the Corporation issued \$100.0 million of new convertible debentures bearing interest at 4.25% while it redeemed or converted the outstanding principal amount of \$80.5 million of the convertible debentures bearing interest at 5.75%. The decrease in equity attributable to owners and non-controlling interests is due mainly to the recognition of a net loss and the declaration of dividends on preferred and common shares in 2015, which was partially offset by the issuance of new common shares upon conversion, at the holders' request, of convertible debentures bearing interest at 5.75%. The increase in Free Cash Flow, which is attributable mainly to an increase in Adjusted EBITDA, more than offset the increase in dividends resulting from the greater number of shares outstanding, yielding a lower Payout Ratio of 86%.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of Canadian dollars, except as noted, and amounts per share)

Adjusted Net Earnings

When evaluating its operating results and to provide a more accurate picture of its renewable energy operating results, a key performance analysis for the Corporation is the "Adjusted Net Earnings", which is a non-IFRS measure of the Corporation.

Impact on net earnings (loss) of financial instruments and the impairment of project development costs	Year ended December 31		
	2016	2015	2014
Net earnings (loss)	32,043	(48,383)	(84,378)
<i>Add (Subtract):</i>			
Unrealized net (gain) loss on financial instruments	(4,292)	(81,368)	121,685
Realized loss on financial instruments	—	119,557	8,366
Impairment of project development costs	—	51,719	—
Income tax expense (recovery) related to above items	1,215	(22,837)	(32,096)
Share of unrealized net loss on financial instruments of joint ventures, net of related income tax	110	1,043	2,804
Adjusted Net Earnings	29,076	19,731	16,381

Excluding the gains and losses on financial instruments, the impairment of project development costs and the related income taxes, the net earnings for the year ended December 31, 2016, would have been \$29.1 million, compared with net earnings of \$19.7 million in 2015. The increase is attributable mainly to the \$32.2 million increase in Adjusted EBITDA, partly offset by a \$12.1 million increase in finance costs and a \$14.8 million increase in depreciation and amortization.

DEVELOPMENTS IN 2016

Conversion of the Cumulative Rate Reset Preferred Shares, Series A

On January 15, 2016, and on January 15 every five years thereafter, the holders of Preferred Shares, Series A (the "Series A Shares") are entitled, at their option, to convert all or part of their Series A Shares into Series B, Preferred Shares (the "Series B Shares") of the Corporation, provided certain conditions are met.

On January 7, 2016, the Corporation announced that after considering all election notices received by the conversion deadline of December 31, 2015, and the conversion requirements, the holders of the Series A Shares were not entitled to convert their shares.

Accordingly, 3,400,000 Series A Shares remain listed on the TSX under the symbol INE.PR.A. The dividend rate for the five-year period commencing on January 15, 2016, and extending to but excluding January 15, 2021, will be 3.608% or \$0.2255 per share per quarter.

Completion of the Acquisition of the Walden Facility

On February 25, 2016, the Corporation, in partnership with the Cayoose Creek Indian Band, completed the acquisition from FortisBC of the Walden facility located in the province of British Columbia, Canada ("Walden"). Walden is a 16 MW facility commissioned in 1993 and located on private land in Cayoosh Creek near Lillooet, close to several of the Corporation's other hydroelectric facilities.

Innergex and Cayoose Creek Development Corporation, the economic arm of the Cayoose Creek Indian Band, have formed the Cayoose Creek Limited Partnership, which in turn has acquired the assets that make up the facility. The transaction closed at a total purchase price of \$9.2 million.

Renewal of Normal Course Issuer Bid for Common Shares and Commencement for Preferred Shares

On March 21, 2016, the Corporation announced that it had received approval from the TSX to renew the normal course issuer bid on its common shares ("Common Shares") and to commence a normal course issuer bid on its Cumulative Rate Reset Series A shares ("Series A Shares") and Cumulative Redeemable Fixed Rate Preferred Shares, Series C ("Series C Shares") (collectively, the "Bids").

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of Canadian dollars, except as noted, and amounts per share)

Under the Bids, the Corporation may purchase for cancellation a maximum of 2,000,000 Common Shares, 68,000 Series A Shares and 40,000 Series C Shares.

The Bids started on March 24, 2016, and will terminate on March 23, 2017.

Acquisition of Seven French Entities and a Private Placement of \$50.0 Million – Investment by Desjardins in the French Acquisition Portfolio

On April 15, 2016, Innergex completed the acquisition of seven operating wind power facilities with an installed capacity of 86.8 MW (the "Seven French Entities") and committed to acquiring another project, the Yonne wind farm, with an installed capacity of 44.0 MW from a German company, wpd europe GmbH, for a total of 130.8 MW. Simultaneously, the Corporation completed a private placement of \$50.0 million with three Desjardins Group-affiliated entities.

The purchase price for the Seven French Entities is a net cash consideration of €64.0 million (or \$94.5 million), subject to certain adjustments and including €8.1 million (or \$11.9 million) of cash and cash equivalents. The purchase price for the Yonne facility acquired on February 21, 2017 amounts to €35.2 million (or \$49.0 million), and a deposit of €10.0 M (or \$13.9 million) has already been paid. Please refer to the Subsequent Events section for more information.

The Seven French Entities are expected to generate annual revenues of approximately €15.1 million (equivalent to \$22.6 million) in 2017, and Adjusted EBITDA of €11.1 million (equivalent to \$16.6 million).

The project financing totalled €88.2 million (equivalent to \$130.2 million) and will remain at the acquired project level.

The non-recourse debt related to the eight projects will remain at the acquired project level. The Corporation has reduced its exposure to exchange rate fluctuations with long-term currency hedging instruments.

On June 10, 2016, Innergex announced the closing of Desjardins's investment in the French Acquisition Portfolio. Innergex and Desjardins completed the acquisition of the recently commissioned Yonne French wind farm on February 21, 2017. More details on Desjardins's investment are provided below.

Overview of the Acquired Asset

The seven wind farms are located in northern and central France. The aggregated installed capacity of all seven farms is 86.8 MW and the annual long-term average level of electricity production is expected to reach 169,400 MWh. All the electricity produced is sold under PPAs at fixed prices, for an initial term of 15 years, with Électricité de France (six wind farms) and S.I.C.A.E Oise (one wind farm).

Project name	Gross capacity (MW)	Commencement of delivery	PPA expiry
Porcien	10.0	2009	2024
Longueval	10.0	2009	2024
Antoigné	8.0	2010	2025
Vallotes	12.0	2010	2025
Bois d'Anchat	10.0	2014	2029
Beaumont	25.0	2015	2029
Cholletz	11.8	2015	2030
Total	86.8		

Private Placement of Innergex's Common Shares for \$50.0 Million

To finance part of the acquisition, three Desjardins Group-affiliated entities have collectively subscribed to a private placement of 3,906,250 common shares of Innergex, for gross proceeds of \$50.0 million on the closing date. Moreover, the common shares issued under the private placement were subject to a statutory four-month sale restriction period after their issuance.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of Canadian dollars, except as noted, and amounts per share)

Partnership with Desjardins

On June 10, 2016, the Corporation announced the closing of a \$38.4 million investment by Desjardins in the French Acquisition Portfolio. Following this investment, the Corporation and Desjardins respectively hold 69.55% and 30.45% of the limited partnership that holds these projects.

Benefits of the acquisition

- Increases annualized Free Cash Flow
- Opens up a new market, the European market, to Innergex
- Adds high-quality, long-term wind assets

Acquisition of Two Wind Farms in Nouvelle-Aquitaine, France

On December 22, 2016, the Corporation completed the acquisition of two wind power projects from French group BayWa r.e. (the "Two French Entities in Nouvelle-Aquitaine"). With a total capacity of 24 MW, the two projects are located in Nouvelle-Aquitaine, France. Innergex owns a 69.55% interest in the project and Desjardins owns the remaining 30.45%.

The purchase price for the Two French Entities in Nouvelle-Aquitaine is a net cash consideration of \$22.7 million, subject to certain adjustments, and \$0.8 million in transaction costs.

Located on private land approximately 400 km southwest of Paris, the facilities are expected to generate annual revenues of approximately €6.3 million (equivalent to \$9.4 million) and Adjusted EBITDA of €5.2 million (equivalent to \$7.9 million).

The project financing totalled €34.2 million (equivalent to \$48.2 million) and will remain at the acquired project level.

The non-recourse debt related to the two projects will remain at the acquired project level. The Corporation has reduced its exposure to exchange rate fluctuations with long-term currency hedging instruments.

Overview of the Acquired Asset

The two wind farms are located in Nouvelle-Aquitaine, France. The aggregated installed capacity of the two farms is 24 MW and the annual long-term average level of electricity production is expected to reach 74,000 MWh. All the electricity produced is sold under PPAs at fixed prices, for an initial term of 15 years, with Électricité de France.

Project name	Gross capacity (MW)	Commencement of delivery	PPA expiry
Montjean	12.0	2016	2031
Theil-Rabier	12.0	2016	2031
Total	24.0		

DEVELOPMENT PROJECTS AND COMMISSIONING ACTIVITIES

On July 29, 2016, the Big Silver Creek hydroelectric facility began commercial operation in British Columbia.

On December 30, 2016, the Mesgi'g Ugju's'n wind facility began commercial operation in Quebec.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of Canadian dollars, except as noted, and amounts per share)

Commissioning Activities

	Ownership %	Gross installed capacity (MW)	Gross estimated LTA ¹ (GWh)	PPA term (years)	Total project costs		Expected year-one	
					Estimated ¹ (\$M)	As at Dec. 31 (\$M)	Revenues ¹ (\$M)	Adjusted EBITDA ¹ (\$M)
<i>HYDRO (British Columbia)</i>								
Big Silver Creek	100.0	40.6	139.8	40	206.0	205.7	17.2	14.5
<i>WIND (Quebec)</i>								
Mesgi'g Ugju's'n	50.0	150.0	562.5	20	305.0	289.4	59.6	52.5
		190.6	702.3		511.0	495.1	76.8	67.0

1. This information is intended to inform readers of the projects' potential impact on the Corporation's results. Actual results may vary.

Big Silver Creek

In the third quarter, the Corporation began commercial operation of the 40.6 MW Big Silver Creek run-of-river hydroelectric facility located in British Columbia. The Big Silver Creek facility is located on crown land approximately 40 km north of Harrison Hot Springs, British Columbia. Construction began in June 2014 and was completed in July 2016, earlier than expected and on budget. The Commercial Operation Date ("COD") certificate was approved by BC Hydro with an effective commissioning date of July 29, 2016. Big Silver Creek's average annual production is estimated to reach 139,800 MWh, enough to power more than 12,900 households.

In its first full year of operation, it is expected to generate revenues and Adjusted EBITDA of circa \$17.2 million and \$14.5 million respectively. The small decrease in expected revenues and Adjusted EBITDA compared with prior estimates is due to the lower inflation encountered in the last few years. All the electricity the facility produces is covered by a 40-year fixed-price power purchase agreement with BC Hydro, which was obtained under that province's 2008 Clean Power Call Request for Proposals and which provides for an annual adjustment to the selling price based on a portion of the Consumer Price Index. On June 22, 2015, the Corporation announced the closing of a \$197.2 million non-recourse construction and term project financing for this project.

Mesgi'g Ugju's'n

In the fourth quarter, the Corporation, along with the three Mi'gmaq communities of Quebec, began commercial operation of the 150 MW Mesgi'g Ugju's'n wind facility located in Quebec. Construction of this wind farm located on public lands in the Avignon Regional County Municipality began in May 2015 and was completed in December 2016, within budget. The COD certificate was approved by Hydro-Québec with an effective commissioning date of December 30, 2016. Mesgi'g Ugju's'n's average annual production is estimated to reach 562,500 MWh, enough to power about 30,000 households.

In its first full year of operation, it is expected to generate revenues and Adjusted EBITDA of circa \$59.6 million and \$52.5 million respectively. All the electricity the facility will produce is covered by a 20-year fixed-price power purchase agreement with Hydro-Québec, which provides for an annual adjustment to the selling price based on a portion of the Consumer Price Index.

As reported in the second quarter's MD&A, the Corporation has revised the annual forecast for the gross estimated LTA energy yield upward from 515 GWh to 562.5 GWh, which corresponds approximately to a 9% increase. The revised gross estimated LTA of the Mesgi'g Ugju's'n wind farm will result in a \$4.6 million increase in expected revenues and a \$4.5 million increase in Adjusted EBITDA. Innergex is entitled to approximately 70% of the total free cash flows that will be generated by the project in 2017, which will result in a \$3.2 million increase in Projected Free Cash Flow. On September 28, 2015, the Corporation and its partner, the three Mi'gmaq communities of Quebec, announced the closing of a \$311.7 million non-recourse construction and term project financing for this project.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of Canadian dollars, except as noted, and amounts per share)

Construction activities

The total project costs for the Development Projects were as follows:

PROJECTS UNDER CONSTRUCTION	Ownership %	Gross installed capacity (MW)	Expected COD	Gross estimated LTA ^{1,2} (GWh)	PPA term (years)	Total project costs		Expected year-one		
						Estimated ¹ (\$M)	As at Dec. 31 (\$M)	Revenues ¹ (\$M)	Adjusted EBITDA ¹ (\$M)	
<i>HYDRO (British Columbia)</i>										
Upper Lillooet River	66.7	81.4	2017 ⁴	334.0	40	327.1 ³	315.1 ³	33.0 ³	27.5 ³	
Boulder Creek	66.7	25.3	2017 ⁴	92.5	40	124.1 ³	112.3 ³	9.0 ³	7.5 ³	
		106.7		426.5		451.2	427.4	42.0	35.0	

1. This information is intended to inform readers of the projects' potential impact on the Corporation's results. Actual results may vary. These estimates are up-to-date as at the date of the MD&A.
2. Upon commissioning, LTA figures may be updated to reflect design optimization or constraints or selection of different turbines. Please refer to the Forward-Looking Information section for more information.
3. Corresponding to 100% of this facility.
4. The COD should be reached in the first quarter of 2017 for the Upper Lillooet hydroelectric project and in the second quarter of 2017 for the Boulder Creek hydroelectric facility. Commercial operation has been delayed due to the forest fire that forced the interruption of construction activities in the summer 2015. BC Hydro has agreed that the fire constitutes a force majeure event and consequently confirmed that the COD could be delayed up to 98 force majeure days. If financial consequences nonetheless result from the fire, the Upper Lillooet River and Boulder Creek projects expect to be indemnified for such delays by virtue of their insurance coverage.

Upper Lillooet River and Boulder Creek

The construction of the Upper Lillooet River and Boulder Creek hydroelectric facilities began in October 2013. On March 17, 2015, the Corporation announced the closing of a \$491.6 million non-recourse construction and term project financing for both these projects, which has received the Clean Energy BC's Finance Award for 2015 and the 2016 Hydro Power Deal of the Year from the World Finance Magazine.

As at the date of this MD&A, all civil work on the Upper Lillooet River facility had been completed. At the intake the head-pond filling was successfully completed in early February. The overall weather conditions and high risk of avalanches have pushed back the final completion of the overall facility. The powerhouse turbine and generation equipment installation is nearly complete with only portions of the electrical and control equipment remaining to be installed. The transformer and switchyard are complete and currently energized from the transmission line (back feed from BC Hydro). The start of the commissioning activities began mid-February and COD is expected at the end of March 2017.

The Boulder Creek tunnel excavation, cleaning and tunnel plug were completed by mid-December 2016. The steel liner installation work, including the concrete embedment is expected to be completed by mid-March 2017. The intake civil and hydro-mechanical are complete with only minor electrical work remaining. The leave to commence diversion package has been submitted to the agencies concerned for approval. The start of the commissioning activities of the Boulder Creek facility is expected by the end of March 2017 and COD is expected in the second quarter of 2017.

The joint transmission line is complete, commissioned and energized.

The insurance claims process for the fire continues, with interim progress payments being made. In any case, the Corporation expects to be indemnified and to suffer no significant adverse financial consequences from the fire.

PROSPECTIVE PROJECTS

With a combined potential net installed capacity of 3,560 MW (gross 3,940 MW), all the Prospective Projects are in the preliminary development stage.

Some Prospective Projects are targeted toward specific future Requests for Proposals in the provinces of New-Brunswick, Alberta and Saskatchewan. Other Prospective Projects are maintained or continue to be advance and will be available for future requests for proposals yet to be announced or are targeted toward negotiated power purchase agreements with public utilities or other creditworthy counterparties in Quebec, British Columbia and Ontario or in other countries such as France and the United States. There is no certainty that any Prospective Project will be realized.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of Canadian dollars, except as noted, and amounts per share)

OPERATING RESULTS

Electricity production in the last year was 105% of the LTA production due mainly to higher-than-average results in the hydroelectric sector in British Columbia, partly offset by lower wind regimes in Quebec and in France.

Production increased 18%, revenues 19% and Adjusted EBITDA 18%. These increases are equally attributable to better results in all hydroelectricity markets except Ontario and to the contribution of the recently commissioned or acquired facilities, which were partly offset by lower production and revenues related to the wind regime in Quebec.

The Corporation's operating results for the year ended December 31, 2016, are compared with the operating results for the same period in 2015.

Electricity Production

When evaluating its operating results, a key performance indicator for the Corporation is to compare actual electricity generation with a long-term average for each hydroelectric facility, wind farm and solar farm. These LTA are determined to allow long-term forecasting of the expected power generation for each of the Corporation's facilities.

Year ended December 31	2016			2015		
	Production (MWh) ¹	LTA (MWh)	Production as a % of LTA	Production (MWh) ¹	LTA (MWh)	Production as a % of LTA
HYDRO						
Quebec	710,686	699,930	102%	696,065	699,930	99%
Ontario	54,341	74,544	73%	70,683	74,544	95%
British Columbia	1,906,877	1,670,734	114%	1,428,953	1,518,712	94%
United States	46,864	46,800	100%	42,675	46,800	91%
Subtotal	2,718,768	2,492,008	109%	2,238,376	2,339,986	96%
WIND						
Quebec	683,150	724,710	94%	709,712	676,489	105%
France	77,664	110,297	70%	—	—	—%
Subtotal	760,814	835,007	91%	709,712	676,489	105%
SOLAR						
Ontario	42,063	37,892	111%	39,549	38,167	104%
Total	3,521,645	3,364,907	105%	2,987,637	3,054,642	98%

1. The Umbata Falls hydroelectric facility and the Viger-Denonville wind farm are treated as joint ventures and accounted for using the equity method; their revenues are not included in the Corporation's consolidated revenues and, for the sake of consistency, their electricity production figures have been excluded from the production table. For more information on the Corporation's joint ventures, please refer to the Investments in Joint Ventures section.

During the year ended December 31, 2016, the Corporation's facilities produced 3,522 GWh of electricity or 105% of the LTA of 3,365 GWh. Overall, the hydroelectric facilities produced 109% of their LTA due mainly to above-average water flows in all markets but Ontario. Overall, the wind farms produced 91% of their LTA due to the below-average wind regimes in Quebec and in France. The Stardale solar farm produced 111% of its LTA due to an above-average solar regime. For more information on operating segment results, please refer to the Segment Information section.

The 18% production increase over the same period last year is due mainly to higher water flows in BC and to the contribution of the recently commissioned or acquired facilities, which were partly offset by lower wind regimes in Quebec and by lower water flows in Ontario.

The overall performance of the Corporation's facilities for the period ended December 31, 2016, demonstrates the benefits of geographic diversification and the complementarity of hydroelectric, wind and solar power generation.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of Canadian dollars, except as noted, and amounts per share)

Additional Information

Power Purchase Agreements

The 47 Operating Facilities sell the generated power under long-term PPAs to rated public utilities or other creditworthy counterparties. For Operating Facilities in Quebec, Ontario and British Columbia, as well as in France, PPAs include a base price and, in some cases, a price adjustment depending on the month, day and hour of delivery, except for the Miller Creek hydroelectric facility, for which the price is based on a formula using the Platts Mid-C pricing indices (this facility accounted for 1% of revenues in 2016). For the Horseshoe Bend hydroelectric facility located in Idaho, USA, 85% of the price is fixed and 15% is adjusted annually as determined by the Idaho Public Utility Commission.

Inflation Protection

Most of the Corporation's PPAs for Operating Facilities include a clause that adjusts for the effects of inflation:

- all PPAs for Quebec hydroelectric facilities except Magpie, the second PPA (22 MW) for Sainte-Marguerite and the PPAs up for renewal provide for an annual CPI-based power rate increase of between 3% and 6%;
- the PPA for the Magpie hydroelectric facility provides for an annual power rate increase of 1%;
- the second PPA (22 MW) for the Sainte-Marguerite hydroelectric facility provides for an annual power rate increase of 2%;
- the PPAs for the Glen Miller and Umbata Falls hydroelectric facilities provide for an annual power rate adjustment based on 15% of the CPI;
- all PPAs for British Columbia hydroelectric facilities except Kwoiek Creek, Brown Lake and Miller Creek provide for an annual power rate adjustment based on 50% of the CPI; for the six facilities owned by Harrison Hydro Limited Partnership, this inflation protection is partly offset by the inflation component of the real-return bonds;
- the PPA for the Kwoiek Creek hydroelectric facility in British Columbia provides for an annual power rate adjustment based on 30% of the CPI;
- all PPAs for Quebec wind farms provide for an annual power rate adjustment based on approximately 20% of the CPI;
- all PPAs for the French wind farms provide for an annual power rate adjustment based on the Revised Hourly Labour Cost Index for all employees in the mechanical and electric industries and on the French Industry Production Price Index for the French Market.

Power Purchase Agreements Up for Renewal

The PPA for the 8.0 MW St-Paulin hydroelectric facility reached the end of its initial 20-year term in November 2014. The Corporation had sent Hydro-Québec a notice of automatic renewal of the PPA for an additional 20-year term. Following initial discussions, the Corporation and Hydro-Québec could not reach agreement on the renewal terms and conditions and the Corporation subsequently filed a notice of arbitration. The Corporation has agreed with Hydro-Québec to suspend its arbitration proceeding until a decision is made in another arbitration proceeding already under way between Hydro-Québec and other independent power producers. In the meantime, Hydro-Québec has agreed to maintain the terms and conditions of the St-Paulin PPA until 30 days following the decision in this other arbitration proceeding.

The PPA for the 5.5 MW Windsor hydroelectric facility reached the end of its initial 20-year term in January 2016 and the Corporation sent Hydro-Québec a notice of automatic renewal of the PPA for an additional 20-year term. Following initial discussions, the Corporation and Hydro-Québec could not reach agreement on the renewal terms and conditions and the Corporation subsequently filed a notice of arbitration which follows its course.

The PPA for the Brown Lake hydroelectric facility located in British Columbia reached the end of its initial 20-year term in December 2016 and the Corporation signed a temporary extension agreement while it continues negotiations with BC Hydro as part of the normal course of a PPA renewal.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of Canadian dollars, except as noted, and amounts per share)

Financial Results

	Year ended December 31			
	2016		2015	
Revenues	292,785	100.0%	246,869	100.0%
Operating expenses	51,469	17.6%	40,938	16.6%
General and administrative expenses	15,045	5.1%	14,188	5.7%
Prospective project expenses	10,288	3.5%	8,005	3.2%
Adjusted EBITDA	215,983	73.8%	183,738	74.4%
Finance costs	95,254		83,130	
Other net expenses	265		116,764	
Depreciation and amortization	90,303		75,478	
Impairment of project development costs	—		51,719	
Share of earnings of joint ventures (note 1)	(2,526)		(1,562)	
Unrealized net gain on financial instruments	(4,292)		(81,368)	
Income tax expense (recovery of)	4,936		(12,040)	
Net earnings (loss)	32,043		(48,383)	
Net earnings (loss) attributable to:				
Owners of the parent	35,963		(30,301)	
Non-controlling interests	(3,920)		(18,082)	
	32,043		(48,383)	
Basic net earnings (loss) per share (\$)	0.28		(0.37)	

1. The Umbata Falls hydroelectric facility and Viger Denonville wind farm are treated as joint ventures and the Corporation's interests in these facilities are required to be accounted for using the equity method. For more information on the Corporation's joint ventures, please refer to the Investments in Joint Ventures section.

Revenues

For the year ended December 31, 2016, the Corporation recorded revenues of \$292.8 million, compared with \$246.9 million for year ended December 31, 2015. This 19% increase is attributable mainly to better results in all hydroelectricity markets except Ontario and to the contribution of the recently commissioned or acquired facilities, which were partly offset by lower revenues related to wind regime in Quebec wind farms.

Expenses

Operating expenses consist primarily of the operators' salaries, insurance premiums, expenditures related to operation and maintenance, property taxes and royalties. For the year ended December 31, 2016, the Corporation recorded operating expenses of \$51.5 million (\$40.9 million in 2015). This increase of 26% for the year is due mainly to the higher production levels and repairs and maintenance in British Columbia as well as to the addition of the Tretheway Creek hydro facility, the Walden hydroelectric facility, the Big Silver Creek hydro facility and the French Entities.

General and administrative expenses consist primarily of salaries, professional fees and office expenses. For the year ended December 31, 2016, general and administrative expenses totalled \$15.0 million (\$14.2 million in 2015). The 6% increase for the year stems mainly from the greater number of facilities in operation.

Prospective project expenses include the costs incurred for the development of Prospective Projects. They result from the number of Prospective Projects that the Corporation chooses to advance and the resources required to do so. For the year ended December 31, 2016, prospective project expenses totalled \$10.3 million (\$8.0 million in 2015). This increase of 29% for the year is related mainly to pursuing opportunities in new international markets, to current and future requests for proposals and expressions of interest in the Canadian provinces and to the advancement of a number of prospective projects.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of Canadian dollars, except as noted, and amounts per share)

Adjusted EBITDA

Adjusted EBITDA, which is defined as revenues less operating expenses, general and administrative expenses and prospective project expenses, is a key performance indicator when evaluating the Corporation's financial results.

For the year ended December 31, 2016, the Corporation recorded Adjusted EBITDA of \$216.0 million, compared with \$183.7 million for the same period last year. This increase of 18% for the year is due mainly to the increase in production and revenues, partly offset by higher operating expenses, general and administrative expenses and prospective project expenses. The adjusted EBITDA Margin decreased from 74.4% to 73.8% for the year due mainly to lower production by the French Entities and to higher operating and prospective project expenses.

Finance Costs

Finance costs include interest on long-term debt and convertible debentures, inflation compensation interest, amortization of financing fees, accretion of long-term debt and convertible debentures, accretion expenses on other liabilities and other finance costs. For the year ended December 31, 2016, finance costs totalled \$95.3 million (\$83.1 million in 2015). The increase is due mainly to expenses related to the recently commissioned or acquired facilities (the Tretheway Creek and Big Silver Creek hydroelectric projects commissioned respectively in November 2015 and July 2016, the Mesgi'g Ugnu's'n wind project commissioned in December 2016 and the acquisitions of the French Entities) and to higher inflation compensation interest on the real-return bonds attributable to higher inflation during the period.

The effective all-in interest rate on the Corporation's debt and convertible debentures was 4.79% as at December 31, 2016 (5.12% as at December 31, 2015).

Other Net Expenses

Other net expenses include transaction costs, realized loss on derivative financial instruments, realized (gain) loss on foreign exchange, (gain) loss on contingent considerations, other net revenues and recovery of loan impairment. The Corporation recorded, for the year ended December 31, 2016, other net expenses of \$0.3 million (net expense of \$116.8 million in 2015). The significant decrease in other net expenses for the year stems mainly from the Corporation's having no loss on derivatives financial instruments in 2016, compared with a realized loss of \$119.6 million for the same period last year upon settlement of the Big Silver Creek, Boulder Creek, Upper Lillooet and Mesgi'g Ugnu's'n bond forward contracts at the closing of the projects' financing.

Depreciation and Amortization

For the year ended December 31, 2016, depreciation and amortization expenses totalled \$90.3 million (\$75.5 million in 2015). This increase is attributable mainly to the Tretheway Creek hydroelectric facility commissioned in November 2015, the Walden hydroelectric facility acquired in February 2016, the French Entities acquired in April and December 2016, the Big Silver Creek hydroelectric facility commissioned in the third quarter and the Mesgi'g Ugnu's'n wind project commissioned in December 2016.

Share of Loss (Earnings) of Joint Ventures

For the year ended December 31, 2016, the Corporation recorded a share of net earnings of joint ventures of \$2.5 million (a share of net earnings of \$1.6 million in 2015). Please refer to the Investments in Joint Ventures section for more information.

Unrealized Net Gain on Financial Instruments

Derivatives are used by the Corporation to manage its exposure to the risk of rising interest rates on its existing and upcoming debt financing and to reduce the Corporation's foreign exchange risk, thereby protecting the economic value of its projects.

Since October 2014, the Corporation has, whenever possible, used hedge accounting for new Derivatives and, since April 1, 2015, it has used hedge accounting for its existing Derivatives used to fix the interest rate on the project-level debts (with the exception of Umbata Falls) and on most of its revolving term credit facility in order to reduce the fluctuations in net earnings or losses resulting from unrealized gains or losses on these Derivatives during a given period. Under hedge accounting, most of the unrealized gains or losses on Derivatives that arise from a decrease or increase in the benchmark interest rate are recorded in other comprehensive income, while only the portion of the unrealized gain or loss related to the "ineffectiveness" and the settlement of the Derivatives will be recorded in net earnings (loss).

For the year ended December 31, 2016, the Corporation recognized a \$4.3 million unrealized net gain on financial instruments, due mainly to a gain on interest rate swaps, which was partly offset by an unrealized net loss on the foreign exchange rate swap due mainly to an unfavorable change in CAD-EUR foreign exchange rate.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of Canadian dollars, except as noted, and amounts per share)

For the year ended December 31, 2015, the Corporation recognized an unrealized net gain on Derivatives of \$81.4 million, due mainly to the reversal of the unrealized loss accrued upon settlement of the bond forward contracts concurrently with the closing of the Boulder Creek and Upper Lillooet River project financing in March, the Big Silver Creek project financing in June and the Mesgi'g Ugnu's'n project financing in September.

For the period ended December 31, 2016, the Corporation had no Derivatives to be settled upon the closing of project financing, as all the Development Project financings were put in place in 2015.

Income Tax Expense (Recovery)

For the year ended December 31, 2016, the Corporation recorded a current income tax expense of \$3.0 million (\$3.1 million in 2015) and a deferred income tax expense of \$2.0 million (deferred income tax recovery of \$15.2 million in 2015). The deferred income tax expense is due mostly to the recognition of accounting earnings before income taxes resulting from the Corporation's regular business activities. There was also a decrease in the future income tax rates for France and Quebec, which resulted in a recovery of \$4.2 million. The deferred income tax recovery in 2015 was due partly to a \$38.2 million net loss on derivative financial instruments and by the recognition of a \$51.7 million impairment of project development costs.

Net Earnings (Loss)

For the year ended December 31, 2016, the Corporation recorded net earnings of \$32.0 million (basic and diluted net earnings of \$0.28 per share), compared with a net loss of \$48.4 million (basic and diluted net loss of \$0.37 per share) in 2015. The \$80.4 million increase in net earnings can be explained mainly by the \$32.2 million increase in Adjusted EBITDA and by a \$38.2 million net loss on derivative financial instruments in 2015, compared with a \$4.3 million net gain in 2016, and by the recognition, in 2015, of a \$51.7 million impairment of project development costs, partly offset by higher finance costs, higher amortization and depreciation costs and an income tax expense compared with a recovery in 2015.

As specifically regards the impact of the Derivatives, the Corporation recognized a \$119.6 million realized loss on derivatives in the same period last year, which was partly offset by a \$81.4 million unrealized net gain on derivative financial instruments, compared with a \$4.3 million unrealized net gain on Derivatives this year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of Canadian dollars, except as noted, and amounts per share)

Main items explaining the change in net earnings for the year December 31, 2016, compared with the net loss for the corresponding period in 2015		
Main items – Positive impact	Change	Explanation
Adjusted EBITDA	32,245	Due mainly to the increase in production and revenues attributable to better results in all hydroelectricity markets except Ontario and to the contribution of the recently commissioned or acquired facilities, which were partly offset by lower revenues related to wind regime in Quebec. The increase in revenues was partly offset by higher operating expenses, general and administrative expenses and prospective project expenses.
Other net expenses	116,499	Due mainly to the Corporation's having no realized loss on derivative financial instruments in 2016, compared with a realized loss of \$119.6 million for the same period last year on settlement of the Big Silver Creek, Boulder Creek, Upper Lillooet and Mesgi'g Ugju's'n bond forward contracts at the closing of the projects' financing.
Impairment of project development costs	51,719	Due to an impairment in 2015 (none in 2016) following the low probability of being able to develop the British Columbia hydroelectric prospective projects acquired in 2011.
Main items – Negative impact	Change	Explanation
Finance costs	12,124	Due mainly to expenses related to the recently commissioned or acquired facilities and to higher inflation compensation interest on the real-return bonds attributable to higher inflation during the period.
Depreciation and amortization	14,825	Due mainly to the Tretheway Creek hydroelectric facility commissioned in November 2015, the Walden hydroelectric facility acquired in February 2016, the French Entities acquisitions made in April and December 2016, the Big Silver Creek hydroelectric facility commissioned in the third quarter and the Mesgi'g Ugju's'n wind project commissioned in December 2016.
Unrealized net gain on financial instruments	77,076	Due mainly to an unrealized net gain on financial instruments in 2015, following the settlement of the bond forward contracts (no bond forward contracts were settled in 2016).
Deferred income tax expense	17,128	Due mainly to the recognition, in 2016, of a deferred income tax expense on accounting earnings before income taxes resulting from the Corporation's regular business activities. There was also a decrease in the future income tax rates for France and Quebec that resulted in a \$4.2 million recovery. In 2015, a deferred income tax recovery was recognized on an accounting loss before income taxes resulting mainly from the net loss on Derivatives and the Corporation's recognition of a \$51.7 million impairment related to its British Columbia Prospective Projects.

Non-controlling Interests

Non-controlling interests are related to the Harrison Hydro Limited Partnership, the Creek Power Inc. subsidiaries, the Mesgi'g Ugju's'n (MU) Wind Farm, L.P., the Innergex Europe (2015) Limited Partnership, the Kwoiek Creek Resources Limited Partnership, the Magpie Limited Partnership, the Innergex Sainte-Marguerite S.E.C. entity, the Cayoose Creek Power Limited Partnership and their respective general partners. For the year ended December 31, 2016, the Corporation allocated losses of \$3.9 million to non-controlling interests (losses of \$18.1 million in 2015). Please refer to the Non-Wholly Owned Subsidiaries section for more information.

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(in thousands of Canadian dollars, except as noted, and amounts per share)

Number of Common Shares Outstanding

Weighted average number of common shares outstanding (000s)	Year ended December 31	
	2016	2015
Weighted average number of common shares	106,883	102,304
Effect of dilutive elements on common shares ¹	879	283
Diluted weighted average number of common shares	107,762	102,587

1. During the year ended December 31, 2016, 3,331,684 of the 3,457,432 stock options (2,579,684 of the 3,425,684 for the year ended December 31, 2015) were dilutive. During the year ended December 31, 2016, none of the 6,666,667 shares that can be issued on conversion of convertible debentures were dilutive (none of the 6,666,667 shares were dilutive for the same period in 2015).

The Corporation's Equity Securities

As at	February 23, 2017	December 31, 2016	December 31, 2015
Number of common shares	108,375,159	108,181,592	103,938,636
Number of 4.25% convertible debentures	100,000	100,000	100,000
Number of Series A Preferred Shares	3,400,000	3,400,000	3,400,000
Number of Series C Preferred Shares	2,000,000	2,000,000	2,000,000
Number of stock options outstanding	3,457,432	3,457,432	3,425,684

As at the date of this MD&A and since December 31, 2016, the increase in the number of common shares of the Corporation is attributable to the Corporation's Dividend Reinvestment Plan ("DRIP").

As at December 31, 2016, the increase in the number of common shares since December 31, 2015, is attributable mainly to the issuance of 3,906,250 shares to three Desjardins Group-affiliated entities under a private placement of common shares of Innergex, to the issuance of 94,000 shares following the exercise of stock options and to 242,706 shares related to the DRIP. Also, the increase in the number of stock options outstanding since December 31, 2015, is attributable mainly to the issuance of 125,748 stock options to Innergex employees, partly offset by the exercise of 94,000 stock options.

LIQUIDITY AND CAPITAL RESOURCES

For the year ended December 31, 2016, the Corporation generated cash flows from operating activities of \$76.8 million, compared with the generation of \$4.6 million for the same period last year. This year, the Corporation generated funds from financing activities of \$195.2 million and used funds for investing activities of \$255.0 million, mainly to pay for the construction of its Upper Lillooet River and Boulder Creek development projects and the Big Silver Creek and Mesgi'g Ujju's'n facilities as well as the acquisition of the French Entities, partly offset by a decrease of restricted cash and short-term investments. As at December 31, 2016, the Corporation had cash and cash equivalents amounting to \$56.2 million, compared with \$40.7 million as at December 31, 2015.

Cash Flows from Operating Activities

For the year ended December 31, 2016, cash flows generated by operating activities totalled \$76.8 million (\$4.6 million generation in 2015). The change of \$72.2 million is attributable mainly to the \$119.6 million realized net loss on derivative financial instruments in 2015 and the higher Adjusted EBITDA generated in 2016, partly offset by changes in non-cash operating working capital items including receivables of \$49.3 million for property, plant and equipment receivable from Hydro-Québec related to the substation of the Mesgi'g Ujju's'n wind farm.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of Canadian dollars, except as noted, and amounts per share)

Cash Flows from Financing Activities

For the year ended December 31, 2016, cash flows generated by financing activities totalled \$195.2 million (compared with \$535.7 million generated in 2015). The cash flows from the financing activities are attributable mainly to a \$212.4 million net increase in long-term debt and \$50.0 million from a private placement of common shares of Innergex with three Desjardins Group-affiliated entities, partly offset by the payment of \$70.4 million in dividends.

The \$212.4 million net increase in long-term debt is attributable mainly to the additional fundings from the projects-level debts and revolving term credit facility for the ongoing construction of the Upper Lillooet River and the Boulder Creek hydroelectric development projects, the Big Silver Creek hydroelectric facility commissioned in July 2016 and the Mesgi'g Ugju's'n wind project commissioned in December 2016 as well as for the acquisition of the French Entities.

Use of Financing Proceeds	Year ended December 31	
	2016	2015
Proceeds from issuance of long-term debt (including revolving credit facility)	872,247	1,241,951
Repayment of long-term debt (including revolving credit facility)	(657,207)	(665,085)
Payment of deferred financing costs	(2,680)	(13,842)
Sub-total: net increase in long-term debt	212,360	563,024
Proceeds from issuance of common shares	50,000	—
Net proceeds from issuance of convertible debentures	—	95,527
Payment of redemption of convertible debentures	—	(41,591)
Payment of buy-back of common shares	—	(12,349)
Proceeds from exercise of share options	1,034	394
Investments from non-controlling interests	9,565	—
Generation of financing proceeds	272,959	605,005
Business acquisitions	(125,493)	—
Realized loss on derivative financial instruments	—	(119,557)
Decrease (increase) of restricted cash and short-term investments	222,978	(226,913)
Net funds withdrawn from (invested into) the reserve accounts	1,610	(1,336)
Additions to property, plant and equipment	(351,258)	(296,153)
Additions to project development costs	—	(29,107)
Additions to other long-term assets	(14,740)	(1,324)
Net use of financing proceeds	(266,903)	(674,390)
Increase (reduction) in working capital	6,056	(69,385)

During the year ended December 31, 2016, the Corporation borrowed a net amount of \$212.4 million, mainly to pay for the construction of the Development Projects, to acquire Walden and the French Entities and to make a deposit on the French entity to be acquired upon commissioning. It also used \$223.0 million in restricted cash to continue construction of the Development Projects.

During the year ended December 31, 2015, the Corporation borrowed a net amount of \$563.0 million mainly to pay for construction of the Development Projects and the \$119.6 million realized loss on derivative financial instruments resulting from the settlement of the Boulder Creek, Upper Lillooet River, Big Silver Creek and Mesgi'g Ugju's'n bond forward contracts. It also increased restricted cash by \$226.9 million, as the use of cash to pay for construction costs related to the Development Projects was more than offset by the addition of proceeds received from the projects' debts.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of Canadian dollars, except as noted, and amounts per share)

Cash Flows from Investing Activities

For the year ended December 31, 2016, cash flows used by investing activities amounted to \$255.0 million (\$554.8 million in 2015). During this period, the main investing activities that impacted cash flows were as follows: additions to property, plant and equipment accounted for a \$351.3 million outflow (\$296.2 million outflow in 2015); fluctuations in restricted cash and short-term investments accounted for a \$223.0 million inflow (\$226.9 million outflow in 2015); additions to other long-term assets accounted for a \$14.7 million outflow (\$1.3 million outflow in 2015) from a deposit made for the acquisition of a wind farm in France; business acquisitions accounted for an \$125.5 million outflow (none in 2015) for the acquisition of Walden and the French Entities; and additions to project development costs of a \$29.1 million outflow in 2015 (none in 2016).

Cash and Cash Equivalents

As at December 31, 2016, the Corporation had cash and cash equivalents amounting to \$56.2 million (\$40.7 million as at December 31, 2015). For the year ended December 31, 2016, cash and cash equivalents increased by \$15.6 million (decreased by \$23.2 million in 2015) as a net result of its operating, financing and investing activities, including the acquisitions of the French Entities.

DIVIDENDS

The following dividends were declared by the Corporation:

	Year ended December 31	
	2016	2015
Dividends declared on common shares ¹	68,524	63,646
Dividends declared on common shares (\$/share)	0.64	0.62
Dividends declared on Series A Preferred Shares	3,067	4,250
Dividends declared on Series A Preferred Shares (\$/share)	0.90	1.25
Dividends declared on Series C Preferred Shares	2,875	2,875
Dividends declared on Series C Preferred Shares (\$/share)	1.4375	1.4375

1. On February 24, 2016, the Board of Directors increased the annual dividend from \$0.62 to \$0.64 per common share, payable quarterly. The increase in dividends declared on common shares is also attributable to the issuance of 3,906,250 shares to three Desjardins Group-affiliated entities under a private placement of common shares of Innergex, to the issuance of 94,000 shares following the exercise of stock options as well as to the issuance of 242,706 shares under the DRIP.

The following dividends will be paid by the Corporation on April 17, 2017:

Date of announcement	Record date	Payment date	Dividend per common share (\$)	Dividend per Series A Preferred Share (\$)	Dividend per Series C Preferred Share (\$)
02/23/2017	3/31/2017	4/17/2017	0.1650	0.2255	0.359375

On February 23, 2017, the Board of Directors increased the annual dividend from \$0.64 to \$0.66 per common share, payable quarterly.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of Canadian dollars, except as noted, and amounts per share)

FINANCIAL POSITION

As at December 31, 2016, the Corporation had \$3,604 million in total assets, \$3,119 million in total liabilities, including \$2,607 million in long-term debt, and \$485.2 million in shareholders' equity. The Corporation also had a working capital ratio of 1.14:1.00 (2.15:1.00 as at December 31, 2015). In addition to cash and cash equivalents amounting to \$56.2 million, the Corporation had restricted cash and short-term investments of \$89.7 million and reserve accounts of \$49.5 million. The explanations below highlight the most significant changes in the statement of financial position items during the year ended December 31, 2016.

Assets

Highlights of significant changes in total assets during the year ended December 31, 2016

- A \$207.4 million net decrease in cash and cash equivalents and restricted cash and short-term investments, due mainly to the amounts used to pay for the Upper Lillooet River, Boulder Creek, Tretheway Creek, Big Silver Creek and Mesgi'g Ugnu's'n construction costs, partly offset by cash and cash equivalents from the acquisition of the French Entities;
- A \$525.8 million increase in property, plant and equipment, due mainly to the construction of the Upper Lillooet River, Boulder Creek, Big Silver Creek and Mesgi'g Ugnu's'n facilities, the acquisition of the Walden facility on February 25, 2016, the purchase of the Seven French Entities on April 15, 2016, and the acquisition of the Two French Entities in Nouvelle-Aquitaine on December 22, 2016, partly offset by the depreciation for the period; and
- A \$72.6 million increase in intangible assets, due to the acquisition of Walden and the French Entities, partly offset by the amortization for the period.

Working Capital Items

Working capital was positive at \$31.9 million, as at December 31, 2016, with a working capital ratio of 1.14:1.00. As at December 31, 2015, working capital was positive at \$212.2 million, with a working capital ratio of 2.15:1.00. The decrease in the working capital ratio is due mainly to a \$223.0 million decrease in restricted cash and short-term investments.

The Corporation considers its current level of working capital to be sufficient to meet its needs. The Corporation can also use its \$425.0 million revolving term credit facility if necessary. As at December 31, 2016, the Corporation had drawn \$170.5 million and US\$13.9 million as cash advances, while \$50.5 million had been used for issuing letters of credit, leaving \$190.1 million available.

Cash and cash equivalents amounted to \$56.2 million as at December 31, 2016, compared with \$40.7 million as at December 31, 2015. The increase stems mainly from the cash acquired with the French Entities in April and December 2016.

Restricted cash and short-term investments amounted to \$89.7 million as at December 31, 2016, compared with \$312.7 million as at December 31, 2015. The decrease stems mainly from the amounts used to pay for construction of the Upper Lillooet River, Boulder Creek, Tretheway Creek, Big Silver Creek and Mesgi'g Ugnu's'n facilities.

Accounts receivable increased from \$37.1 million to \$98.8 million between December 31, 2015, and December 31, 2016, due mainly to a receivable of \$49.3 million from Hydro-Québec for the construction of the substation and accounts receivable related to commodity taxes acquired with the the Two French Entities in Nouvelle-Aquitaine.

Accounts payable and other payables from December 31, 2015 to December 31, 2016, decreased from \$95.5 million to \$85.9 million, due mainly to the end of construction at the Tretheway Creek facility commissioned in November 2015 and the Big Silver Creek facility commissioned in July 2016 and to payments made on the Upper Lillooet River and Boulder Creek development projects, partly offset by higher accounts payable from the Mesgi'g Ugnu's'n facility commissioned in December 2016 and the acquisitions of the French Entities.

Current portion of long-term debt amounted to \$99.4 million as at December 31, 2016, compared with \$55.0 million as at December 31, 2015. The increase stems mainly from the portion of the Mesgi'g Ugnu's'n facility's debt payable in the short term (substation loan of \$40.6 million), from the addition of the short-term portion of the debt from the French Entities and from the Stardale facility's long-term debt increase related to borrowing, partly offset by the reclassification of the long-term debt of the Fitzsimmons Creek facility following its successful refinancing.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of Canadian dollars, except as noted, and amounts per share)

Reserve Accounts

Reserve accounts consist of a hydrology/wind reserve, established at the start of commercial operation at a facility to compensate for the variability of cash flows related to fluctuations in hydrology or wind regimes and to other unpredictable events, and a major maintenance reserve, established in order to prefund any major plant repairs that may be required to maintain the Corporation's generating capacity. The Corporation had \$49.5 million in long-term reserve accounts as at December 31, 2016, compared with \$41.5 million as at December 31, 2015. The increase is mainly due to the reserves included with the acquisitions of the French Entities and, to a lesser extent, to mandatory investments in reserve accounts during the year, partly offset by some drawings on reserve accounts.

The availability of funds in the hydrology/wind and major maintenance reserve accounts are in large part restricted by credit agreements.

Property, Plant and Equipment

Property, plant and equipment are comprised mainly of hydroelectric facilities, wind farms and a solar farm that are either in operation or under construction. As at December 31, 2016, the Corporation had \$2,700 million in property, plant and equipment, compared with \$2,174 million as at December 31, 2015. The increase stems mainly from the construction of the Upper Lillooet River and the Boulder Creek development projects as well as the Big Silver Creek and the Mesgi'g Ugu's'n facilities commissioned in 2016, the acquisition of the Walden facility on February 25, 2016, the purchase of the Seven French Entities on April 15, 2016, and the acquisition of the Two French Entities in Nouvelle-Aquitaine on December 22, 2016, partly offset by the depreciation.

Intangible assets

Intangible assets consist of various power purchase agreements, permits and licenses. The Corporation had \$544.9 million in intangible assets as at December 31, 2016, compared with \$472.3 million as at December 31, 2015. The increase is due mainly to the acquisition of the Walden facility and the purchase of the French Entities, partly offset by the amortization.

Liabilities and Shareholders' Equity

Derivative Financial Instruments and Risk Management

The Corporation uses derivative financial instruments ("Derivatives") to manage its exposure to the risk of increasing interest rates on its debt financing and its exposure to exchange rate fluctuations on the future repatriation of cash flows from its French operations. The Corporation does not own or issue any Derivatives for speculation purposes.

Interest rate swap contracts allow the Corporation to eliminate the risk of interest rate increases on actual floating-rate debts. These totalled \$626.7 million as at December 31, 2016.

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(in thousands of Canadian dollars, except as noted, and amounts per share)

Interest Rate Swap Contracts	Maturity	Early termination option	Notional Amounts	
			December 31, 2016	December 31, 2015
Contracts used to hedge the interest rate risk				
Interest rate swap, 4.27%	2016	None	—	3,000
Interest rate swap, 0.96%	2017	None	49,250	49,250
Interest rate swaps, 4.27% to 4.41%	2018	None	82,600	82,600
Interest rate swaps, 2.33%	2024	2019	20,000	20,000
Interest rate swaps, 2.30%	2024	2019	20,000	20,000
Interest rate swap, 1.91%, amortizing	2026	None	103,000	103,000
Interest rate swaps, 2.94% to 4.83%, amortizing	2026	None	42,781	46,342
Interest rate swaps, from 3.35% to 3.50%, amortizing	2027	None	32,524	35,080
Interest rate swap, 3.74%, amortizing	2030	None	84,532	89,113
Interest rate swap, 4.22%, amortizing	2030	2021	24,534	26,063
Interest rate swap, 2.64%, amortizing, translated at CAD 1.4169/Euro	2030	None	14,736	—
Interest rate swap, 4.25%, amortizing	2031	2018	38,771	41,146
Interest rate swap, 4.61%, amortizing	2035	2025	95,292	97,957
Interest rate swap, 2.85%, amortizing	2041	2021	18,704	19,018
			626,724	632,569

Foreign Exchange Contracts	Maturity	Early termination option	Notional Amounts	
			December 31, 2016	December 31, 2015
Contracts used to hedge the foreign exchange risk				
Foreign exchange forwards amortizing until 2041, allowing translation at a fixed rate of CAD 1.7575/Euro	2018	None	164,375	—
Foreign exchange forwards amortizing until 2042, allowing translation at a fixed rate of CAD 1.7588/Euro	2018	None	52,156	—
			216,531	—

Overall, Derivatives had a net negative value of \$60.1 million at December 31, 2016 (net negative value of \$67.7 million at December 31, 2015). The decrease in negative value is due mainly to a raise in benchmark interest rates and to the amortization of the interest rate swaps held by the Corporation. These figures exclude the impact of Derivatives used to hedge loans of the Corporation's joint ventures. For information on the impact of derivative financial instruments used in the Corporation's joint ventures, please refer to the Investments in Joint Ventures section.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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Accrual for Acquisition of Long-Term Assets

Accrual for acquisition of long-term assets consists of long-term debt commitments that have been secured and will be drawn to finance the Corporation's projects. As at December 31, 2016, accrual for acquisition of long-term assets was \$37.4 million (nil as at December 31, 2015). The \$37.4 million increase results mainly from payments to be made in relation to the Mesgi'g Ugnu's'n facility and the Two French Entities in Nouvelle-Aquitaine for which drawings will be made from the long-term financing in place.

Long-Term Debt

As at December 31, 2016, long-term debt totalled \$2,607 million (\$2,215 million as at December 31, 2015). The \$391.2 million increase results mainly from the addition of the French Entities project-level debts, the issuance of a \$38.2 million debenture carrying an interest rate of 8.0% to Desjardins for its investment in the French Entities, additional drawings on Innergex's credit facility, Stardale's long-term debt increase on its borrowing and additional drawings on Upper Lillooet River and Boulder Creek, and Mesgi'g Ugnu's'n's financings, partly offset by the scheduled repayment of project-level debts.

As at December 31, 2016, 99% of the Corporation's outstanding debt, including convertible debentures, was fixed or hedged against interest rate movements (99% as at December 31, 2015).

Since the beginning of the 2016 fiscal year, the Corporation and its subsidiaries have met all the financial and non-financial conditions related to their credit agreements, trust indentures and PPAs. Were they not met, certain financial and non-financial covenants included in the credit agreements or trust indentures entered into by various subsidiaries of the Corporation could limit the capacity of these subsidiaries to transfer funds to the Corporation. These restrictions could have a negative impact on the Corporation's ability to meet its obligations.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of Canadian dollars, except as noted, and amounts per share)

<i>references to US\$ and € are in thousands</i>	Effective all-in interest rate after accounting for the interest rates swaps	Maturity	December 31, 2016	December 31, 2015
Revolving credit facility (with recourse to the Corporation) including LIBOR advances, US\$13,900				
a) Innergex	4.48%	2020	189,163	149,138
Loans (Non-recourse to the Corporation)				
b) Hydro-Windsor	8.25%	2016	—	1,015
c) Magpie	2.33%-4.59%	2017	601	1,285
d) Cholletz (€ 750)	1.90%	2017	1,063	—
e) Mesgi'g Ugju's'n	2.41%	2017	40,588	—
f) Montjean (€ 1,126)	1.50%	2017	1,596	—
g) Theil Rabier (€ 1,234)	1.50%	2017	1,749	—
h) Montagne-Sèche	5.97%	2021	24,534	26,063
i) Rutherford Creek	6.88%	2024	35,845	39,378
j) Valottes (€ 12,285)	1.80%-2.69%	2024-2026	17,407	—
k) Ashlu Creek	6.16%	2025	91,989	95,062
l) Sainte-Marguerite	3.30%	2025	29,072	32,598
m) Antoigné (€ 6,429)	2.67%	2025	9,109	—
n) Longueval (€ 7,522)	1.72%-1.86%	2025	10,658	—
o) Porcien (€ 7,744)	1.67%-1.86%	2025	10,973	—
p) Bois d'Anchat (€ 10,502)	2.25%-3.20%	2025-2030	14,880	—
c) Magpie	4.37%-4.59%	2025-2031	54,703	57,263
q) L'Anse-à-Valleau	6.03%	2026	33,327	36,091
r) Fitzsimmons Creek	3.58%	2026	20,651	21,051
f) Montjean (€ 15,792)	1.46%-1.85%	2026-2031	22,375	—
g) Theil Rabier (€ 16,083)	1.46%-1.84%	2026-2031	22,788	—
s) Carleton	5.51%	2027	42,346	45,758
t) Beaumont (€ 24,418)	2.16%-2.63%	2027-2031	34,598	—
u) Stardale	5.36%	2030	102,946	96,862
d) Cholletz (€ 10,400)	2.64%	2030	14,736	—
v) Innergex Europe	8.00%	2046	38,189	—
w) Harrison Operating Facilities	3.95%-6.61%	2049	456,060	458,754
x) Kwoiek Creek	5.08%-10.07%	2052-2054	172,162	172,162
y) Northwest Stave River	5.30%	2053	71,972	71,972
z) Tretheway Creek	4.99%	2055	92,916	92,916
l) Sainte-Marguerite	8.00%	2064	42,401	42,401
e) Mesgi'g Ugju's'n	3.54%-4.28%		244,343	159,459
aa) Big Silver Creek	4.57%-4.76%		197,223	197,223
bb) Boulder Creek and Upper Lillooet	4.22%-4.46%		491,643	445,733
Other loans with various interest rates		2017-2019	13	134
			2,445,456	2,093,180

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(in thousands of Canadian dollars, except as noted, and amounts per share)

references to US\$ and € are in thousands	Effective all-in interest rate after accounting for the interest rates swaps	Maturity	December 31, 2016	December 31, 2015
Total long-term debt			2,634,619	2,242,318
Deferred financing costs			(27,986)	(26,885)
			2,606,633	2,215,433
Current portion of long-term debt (net of nil deferred financing costs in 2016, \$29 in 2015)			(99,397)	(54,995)
Long-term portion			2,507,236	2,160,438

a. Revolving credit facility

The Corporation has a maximum borrowing capacity of \$425.0 million on its revolving credit facility. On January 18, 2016, the Corporation executed an amending agreement to extend its revolving credit facility from 2019 to 2020.

As at December 31, 2016, the Bankers' Acceptances ("BA") rate advances and prime rate advances totaling \$170.5 million along with a LIBOR rate advance of \$18.7 million (US\$13.9 million) were due under this facility. An amount of \$50.5 million has been used to secure letters of credit. Thus, the unused and available position of the facility was \$185.3 million. The carrying value of assets of the Corporation and subsidiaries given as securities under this facility totals approximately \$466.0 million.

The revolving credit facility was renegotiated on February 21, 2017, see subsequent events section.

b. Hydro-Windsor

The loan consisted of a 20-year fixed rate term loan starting in December 1996 and amortized over a 20-year period ended in December 2016. The loan was repayable in monthly blended payments of principal and interest totaling \$0.1 million.

c. Magpie

A fixed rate bridge loan is amortized until August 2017. The bridge loan is repayable in monthly blended payments of principal and interest totaling \$0.3 million. The principal repayments for the bridge loan are set at \$0.2 million for 2017.

A debenture is amortized until December 2017. The debenture is repayable by yearly blended payments of principal and interest totaling \$0.4 million, excluding non-cash implicit interest of \$0.02 million. The principal repayment for 2017 is set at \$0.4 million.

A convertible debenture has no predetermined repayment schedule and matures in January 2025. The convertible debenture entitles the municipality to a 30% interest in the facility upon conversion of the debenture on or before January 1, 2025. Early conversion is at the discretion of the Corporation.

A term loan amortizing until 2031 is repayable in monthly blended payments of principal and interest totaling \$0.4 million. The principal repayments for the term loan are variable and are set at \$1.8 million for 2017.

The bridge loan and the term loan are secured by the assets of Magpie L.P. with a carrying value of approximately \$96.3 million.

d. Cholletz

As part of the Seven French Entities Acquired, the Corporation assumed two loan facilities for a total value of €11.9 million.

- A €1.5 million loan bearing interest at 1.9%, repayable in quarterly installments and maturing in 2017. The principal repayments are set to €0.8 million for the 2017.
- A €10.4 million loan bearing interest at 2.23% until 2026 and at variable rate plus an applicable margin afterwards, repayable in quarterly installments and maturing in 2030. The principal repayments are set to €0.1 million for the 2017.

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(in thousands of Canadian dollars, except as noted, and amounts per share)

The debt is secured by the assets of Energie des Cholletz with a carrying value of approximately €21.0 million.

e. Mesgig'g Ugju's'n

On September 28, 2015, Mesgig'g Ugju's'n (MU) Wind Farm L.P. closed a \$311.7 million non-recourse construction and term project financing for the Mesgig'g Ugju's'n wind project.

The loan comprises three facilities or tranches:

- A \$49.3 million floating-rate construction loan carrying a swap-fixed interest rate of 2.41%; following the start of the wind farm's commercial operation, it will be repaid with the proceeds of the scheduled reimbursement by Hydro-Québec for the Mesgig'g Ugju's'n electrical substation. As at December 31, 2016, an amount of \$40.6 million had been drawn from this tranche;
- A \$103.0 million floating-rate construction loan carrying a swap-fixed interest rate of 3.54%; following the start of the wind farm's commercial operation, it will convert into a 9.5-year term loan and the principal will be amortized over the term of the loan. As at December 31, 2016, an amount of \$84.9 million had been drawn from this tranche;
- A \$159.5 million construction loan carrying a fixed interest rate of 4.28%; following the start of the wind farm's commercial operation, it will convert into a 19.5-year term loan and the principal will begin to be amortized after the maturity of the 9.5-year term loan. As at December 31, 2016, this tranche was fully used.

The lenders also agreed to make available a credit facility in an amount not to exceed \$51.3 million. As at December 31, 2016, an amount of \$42.8 million had been used to secure two letters of credit. This debt is secured by the assets of Mesgig'g Ugju's'n (MU) Wind Farm L.P. with a carrying value of approximately \$353.4 million.

f. Montjean

As part of the Two French Entities Acquired in Nouvelle-Aquitaine, the Corporation assumed the related loan facilities for a total value of €23.9 million.

- A €1.1 million loan bearing a variable interest rate at EURIBOR +1.5% and fully repayable by June 2017. It is a bridge financing dedicated to the consumer taxes and recoverable from the government. The unused and available position of this credit facility was €2.9 million.
- A €12.7 million loan on the credit margin bearing interest at a fixed rate of 1.25% until 2026, after which a variable rate will apply, repayable in quarterly installments and maturing in 2031. The principal repayments are set to €1.0 million for 2017. The unused and available position of this credit facility was €2.3 million. The term loan was accounted for at its fair market value of €11.7 million for an effective rate of 1.85%.
- A €4.1 million loan bearing interest at a fixed rate of 1.15%, repayable in quarterly installments and maturing in 2026. The principal repayments are set to €0.4 million for 2017. There was no unused and available position on this credit facility. The loan was accounted for at its fair market value of €4.1 million for an effective rate of 1.46%.
- A credit facility of €0.7 million was unused and available on December 31, 2016. It is dedicated to financing the main part of the debt service reserve account.

The debt is secured by the assets of Montjean Energies with a carrying value of approximately €33.7 million.

g. Theil Rabier

As part of the Two French Entities Acquired in Nouvelle-Aquitaine, the Corporation assumed the related loan facilities for a total value of €23.9 million.

- A €1.2 million loan bearing a variable interest rate at EURIBOR +1.5% and fully repayable by June 2017. It is a bridge financing dedicated to the consumer taxes and recoverable from the government. The unused portion of this credit facility at year-end was €2.8 million.
- A €13.0 million loan bearing interest at a fixed rate of 1.25% until 2026, after which a variable rate will apply until maturity, repayable in quarterly installments and maturing in 2031. The principal repayments are set to €1.0 million for 2017. The unused portion of this credit facility at year-end was €2.0 million. The loan was accounted for at its fair market value of €12.0 million for an effective rate of 1.84%.
- A €4.1 million loan bearing interest at a fixed rate of 1.15%, repayable in quarterly installments and maturing in 2026. The principal repayments are set to €0.4 million for 2017. There was no unused and available position on this credit facility. The loan was accounted for at its fair market value of €4.1 million for an effective rate of 1.46%.
- A credit facility of €0.7 million was unused and available on December 31, 2016. It is dedicated to financing the main part of the debt service reserve account.

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The debt is secured by the assets of Theil Rabier Energies with a carrying value of approximately €35.0 million.

h. Montagne-Sèche

In May 2014, the Corporation renegotiated the loan to extend the maturity to June 2021. The loan consists of a 7-year term loan, amortized over a 16-year period starting in May 2014. The loan bears interest at the BA rate plus an applicable margin. The principal repayments are variable and set at \$1.2 million for 2017. As at December 31, 2016, the all-in effective interest rate was 5.97% (5.97% in 2015) after accounting for the interest rate swap.

The lenders also agreed to make available a letter of credit facility in an amount not to exceed \$0.4 million. As at December 31, 2016, an amount of \$0.3 million has been used to secure one letter of credit. The loan is secured by the assets of Innergex Montagne-Sèche, L.P. with a carrying value of approximately \$34.0 million.

i. Rutherford Creek

The loan consists of a 20-year fixed rate term loan starting in July 2004 amortized over a 12-year period effective July 1, 2012. This debt is repayable by monthly blended payments of principal and interest totaling \$0.5 million. The principal repayments are variable and are set at \$3.8 million for 2017. The loan is secured by the assets of Rutherford Creek Power Limited Partnership, with a carrying value of approximately \$77.1 million.

j. Valottes

As part of the Seven French Entities Acquired, the Corporation assumed two loan facilities for a total value of €12.0 million.

- A €4.7 million loan bearing interest at 2.69%, repayable in quarterly installments and maturing in 2024. The principal repayments are set to €0.4 million for 2017.
- A €7.3 million loan bearing interest at 5.34%, repayable in quarterly installments and maturing in 2026. The principal repayments are set to €0.7 million for 2017. The term loan was accounted for at its fair market value of €8.5 million for an effective rate of 1.80%.

The debt is secured by the assets of Energie des Valottes with a carrying value of approximately €22.0 million.

k. Ashlu Creek

The loan consists of a 15-year term loan, amortized over a 25-year period starting in September 2010. The loan bears interest at the BA rate plus an applicable margin. The term loan is repayable in quarterly installments. The principal repayments are variable and are set at \$2.8 million for 2017. As at December 31, 2016, the all-in effective interest rate was 6.16% (6.06% in 2015) after accounting for the interest rate swap.

The lenders also agreed to make available a letter of credit facility in an amount not to exceed \$3.0 million. As at December 31, 2016 an amount of \$1.4 million had been used to secure one letter of credit. The loan is secured by the assets of Ashlu Creek hydroelectric facility with a carrying value of approximately \$159.0 million.

l. Sainte-Marguerite

As part of its acquisition in 2014, the Corporation assumed a \$30.8 million term loan, bearing interest at a fixed rate of 7.40%, repayable in monthly blended payments of principal and interest totaling \$0.4 million, increasing over the years and maturing in 2025. The principal repayments for 2017 are set at \$3.0 million. The term loan was accounted for at its fair market value of \$37.5 million for an effective rate of 3.30%. The loan is secured by the assets of Sainte-Marguerite L.P. with a carrying value of approximately \$134.9 million.

In 2014, a debenture was issued by Sainte-Marguerite L.P. to Desjardins Group Pension Plan for a total amount of \$42.4 million. This debenture carries an interest rate of 8.00%; it has no predetermined repayment schedule and matures in 2064.

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(in thousands of Canadian dollars, except as noted, and amounts per share)

m. Antoigné

As part of the Seven French Entities Acquired, the Corporation assumed a €7.0 million term loan, bearing interest at 2.67%, repayable in quarterly installments and maturing in 2025. The principal repayments are set to €0.7 million for 2017. The loan is secured by the assets of Energie Antoigné with a carrying value of approximately €13.9 million.

n. Longueval

As part of the Seven French Entities Acquired, the Corporation assumed two loan facilities for a total value of €7.9 million.

- A €6.1 million loan bearing interest at 1.86%, repayable in quarterly installments and maturing in 2025. The principal repayments are set to €0.6 million for 2017.
- A €1.8 million loan bearing interest at 5.73%, repayable in semi-annual installments and maturing in 2025. The principal repayments are set to €0.1 million for 2017. The term loan was accounted for at its fair market value of €2.2 million for an effective rate of 1.72%.

The debt is secured by the assets of Eoliennes de Longueval with a carrying value of approximately €15.5 million.

o. Porcien

As part of the Seven French Entities Acquired, the Corporation assumed two loan facilities for a total value of €8.1 million.

- A €6.1 million loan bearing interest at 1.86%, repayable in quarterly installments and maturing in 2025. The principal repayments are set to €0.6 million for 2017.
- A €2.0 million loan bearing interest at 5.73%, repayable in semi-annual installments and maturing in 2025. The principal repayments are set to €0.1 million for 2017. The term loan was accounted for at its fair market value of €2.5 million for an effective rate of 1.67%.

The debt is secured by the assets of Energie du Porcien with a carrying value of approximately €15.5 million.

p. Bois d'Anchat

As part of the Seven French Entities Acquired, the Corporation assumed two loan facilities for a total value of €11.2 million.

- A €1.0 million loan bearing interest at 3.20%, repayable in quarterly installments and maturing in 2025. The principal repayments are set to €0.04 for the 2017.
- A €10.2 million loan bearing interest at 2.25%, repayable in quarterly installments and maturing in 2030. The principal repayments are set to €0.7 million for the 2017.

The debt is secured by the assets of Société d'Exploitation du Parc Éolien du Bois d'Anchat with a carrying value of approximately €21.9 million.

q. L'Anse-à-Valleau

The loan consists of an 18.5-year term loan starting in December 2007 and amortized over an 18.5-year period. The loan bears interests at the BA rate plus an applicable margin. The term loan is repayable in quarterly installments. The principal repayments are variable and are set at \$2.8 million for 2017. As at December 31, 2016, the all-in effective interest rate was 6.03% (6.03% in 2015) after accounting for the interest rate swap.

The lenders also agreed to make available a credit facility of \$1.2 million in order to secure letters of credit. As at December 31, 2016, an amount of \$0.4 million had been used to secure one letter of credit. The loan is secured by the assets of Innergex AAV, L.P. with a carrying value of approximately \$53.0 million.

r. Fitzsimmons Creek

In December 2016, the maturity of the term loan was extended to November 2026; the loan will be amortized over a remaining 25-year period starting in January 2017. The loan advances bear interest at the BA rate plus an applicable

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(in thousands of Canadian dollars, except as noted, and amounts per share)

margin. The principal repayments are variable and are set at \$0.3 million for 2017. As at December 31, 2016, the all-in effective interest rate was 3.58% (3.98% in 2015) after accounting for the interest rate swap.

The lenders also agreed to make available a letter of credit facility in an amount not to exceed \$0.2 million. As at December 31, 2016, an amount of \$0.1 million had been used to secure one letter of credit. This debt is secured by the assets of Fitzsimmons Creek Hydro L.P. with a carrying value of approximately \$24.8 million.

s. Carleton

The loan consists of a 14-year term loan starting in June 2013 and amortized over a 14-year period. The term loan bears interest at the BA rate plus an applicable margin. The term loan is repayable in quarterly installments. The principal repayments are variable and are set at \$3.5 million for 2017. As at December 31, 2016, the all-in effective interest rate was 5.46% (5.46% in 2015) after accounting for the interest rate swap.

This debt is secured by the assets of Innergex CAR, L.P. with a carrying value of approximately \$67.3 million.

t. Beaumont

As part of the Seven French Entities Acquired, the Corporation assumed three loan facilities for a total value of €25.1 million.

- A €3.6 million loan bearing interest at 3.78%, repayable in quarterly installments and maturing in 2027. The principal repayments are set to €0.3 million for 2017. The term loan was accounted for at its fair market value of €4.0 million for an effective rate of 2.16%.
- A €1.0 million loan bearing interest at 2.63%, repayable in quarterly installments and maturing in 2027. The principal repayments are almost nil for 2017.
- A €20.5 million loan bearing interest at 2.42%, repayable in quarterly installments and maturing in 2031. The principal repayments are set to €1.4 million for 2017.

The debt is secured by the assets of Eoles Beaumont S.A.S. with a carrying value of approximately €48.6 million.

u. Stardale

On February 22, 2016, Stardale refinanced its long-term debt to increase its borrowing by \$12.1 million to a total of \$109.0 million. The loan bears interest at the BA rate plus an applicable credit margin. The principal repayments are variable and are set at \$6.4 million for 2017. As at December 31, 2016, the all-in effective interest rate was 5.36% (5.99% in 2015) after accounting for the interest rate swap.

The lenders also agreed to make available a letter of credit facility in an amount not to exceed \$5.6 million. As at December 31, 2016, an amount of \$5.6 million had been used to secure two letters of credit. The loan is secured by the assets of Stardale L.P. with a carrying value of approximately \$108.2 million.

v. Innergex Europe (2015) Limited Partnership

Following the acquisitions in France, a debenture was issued to the other partner for total proceeds of \$38.2 million. This debenture carries an interest rate of 8.00% compounded yearly and is payable quarterly if funds are available. The debenture will be repayable in full in 2046. The Corporation invested a total of \$87.2 million in preferred units of Innergex Europe (2015) Limited Partnership, which carry a preferred return rate of 8.00% compounded yearly and payable at the same time as the debenture. The preferred units are eliminated into the consolidation process.

w. Harrison Operating Facilities

The Harrison Operating Facilities Senior Real Return bond bears interest at 2.96% adjusted by an inflation ratio as well as an inflation compensation interest factor. Both inflation adjustments are based on the All-items Consumer Price Index for Canada ("CPI"), which is not seasonally adjusted. Payments on this bond are due semi-annually and the bond matures in June 2049. Semi-annual payments are \$5.8 million before CPI adjustment (\$6.7 million including CPI adjustment in 2016). In December 2031, the payment amount decreases to \$4.5 million before CPI adjustment, where it remains until maturity. For 2017, the principal repayments are set at \$6.0 million.

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(in thousands of Canadian dollars, except as noted, and amounts per share)

The Harrison Operating Facilities Senior Fixed Rate bond bears interest at 6.61%. Payments on this bond are due semi-annually with the bond maturing in September 2049. Semi-annual payments amount to \$8.1 million. In September 2031, the payment amount decreases to \$6.7 million, where it remains until maturity. For 2017, the principal repayments are set at \$3.5 million.

The Harrison Operating Facilities Junior Real Return Rate bond bears interest at 4.27% adjusted by an inflation ratio and an inflation compensation interest factor. Both inflation adjustments are based on the CPI, which is not seasonally adjusted. Payments on this bond are due quarterly and the bond matures in September 2049. Quarterly interest payments amount to \$0.3 million before CPI adjustment (\$0.3 million including CPI adjustment in 2016).

In June 2017, the payment amount increases to \$0.4 million before CPI adjustment, where it remains until maturity. Principal repayment are set at \$0.3 million for 2017. The bond is secured by the Harrison Operating Facilities.

x. Kwoiek Creek

The \$168.5 million construction term loan bearing fixed interest rate of 5.08% was converted into a 37-year term loan in February 2015 and amortized over a 36-year period starting in January 2017. The term loan is repayable in quarterly installments. The principal repayments are variable and set at \$1.5 million for 2017. The loan is secured by the assets of Kwoiek Creek Resources L.P. with a carrying value of approximately \$184.0 million.

The Corporation's partner in the Kwoiek Creek project made a \$3.7 million loan to Kwoiek Creek Resources L.P. Under the project agreements, both partners can participate in the project financing.

y. Northwest Stave River

The non-recourse construction loan was converted into a 38-year term loan in February 2015 and amortized over a 35-year period starting in 2020. Principal repayments do not commence until December 2020. The loan is secured by the assets of Northwest Stave River L.P. with a carrying value of approximately \$80.9 million.

z. Tretheway Creek

The construction loan was converted into a 39-year term loan in April 2016 and will amortize over a 35-year period. Principal repayments do not commence until December 2020. The loan is secured by the assets of Tretheway L.P. with a carrying value of approximately \$102.6 million.

aa. Big Silver Creek

On June 22, 2015, Big Silver Creek Power Limited Partnership closed a \$197.2 million non-recourse construction and term project financing for the Big Silver Creek River run-of-river hydroelectric project.

On January 31, 2017, the loan was converted into a 39.5-year term loan.

The loan comprises three facilities or tranches:

- A \$51.0 million construction loan carrying a fixed interest rate of 4.57%; in 2017 it was converted into a 25-year term loan and the principal will begin to be amortized over an 22-year period starting in 2019;
- A \$128.3 million construction loan carrying a fixed interest rate of 4.76%; in 2017 it was converted into a 39.5-year term loan and the principal will be amortized after the 25-year term loan reaches maturity;
- A \$17.9 million construction loan carrying a fixed interest rate of 4.76%; in 2017 it was converted into a 39.5-year term loan and its principal will be reimbursed at maturity.

This debt is secured by the assets of Big Silver Creek Power L.P. with a carrying value of approximately \$211.2 million.

bb. Boulder Creek and Upper Lillooet River

On March 17, 2015, Boulder Creek Power Limited Partnership and Upper Lillooet River Power Limited Partnership jointly closed a \$491.6 million non-recourse construction and term project financing for the Boulder Creek and Upper Lillooet River run-of-river hydroelectric projects.

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(in thousands of Canadian dollars, except as noted, and amounts per share)

The loan comprises three facilities or tranches:

- A \$191.6 million construction loan carrying a fixed interest rate of 4.22%; following the start of the facilities' commercial operation, it will convert into a 25-year term loan and the principal will be amortized over a 20-year period, starting in the sixth year;
- A \$250.0 million construction loan carrying a fixed interest rate of 4.46%; following the start of the facilities' commercial operation, it will convert into a 40-year term loan and the principal will begin to be amortized after the 25-year term loan's maturity;
- A \$50.0 million construction loan carrying a fixed interest rate of 4.46%; following the start of the facilities' commercial operation, it will convert into a 40-year term loan and its principal will be reimbursed at maturity.

This debt is secured by the assets of Boulder Creek Power L.P. and Upper Lillooet River Power L.P. with a carrying value of approximately \$509.1 million.

Convertible debentures

As at December 31, 2016, the liability portion of convertible debentures stood at \$94.8 million and the equity portion stood at \$1.9 million (\$93.4 million and \$1.9 million as at December 31, 2015). The convertible debentures currently outstanding bear interest at a rate of 4.25% per annum, payable semi-annually on August 31 and February 28 of each year. They are convertible at the holder's option into common shares of the Corporation at a conversion price of \$15.00 per share, representing a conversion rate of 66.6667 common shares per each thousand of dollars of principal amount of convertible debentures. They will mature on August 31, 2020, and will not be redeemable before August 31, 2018, except in certain limited circumstances.

The convertible debentures are subordinated to all other indebtedness of the Corporation.

Shareholders' Equity

As at December 31, 2016, the Corporation's shareholders' equity totalled \$485.2 million, including \$14.7 million of non-controlling interests, compared with \$471.6 million as at December 31, 2015, and which included \$21.9 million of non-controlling interests. This \$13.7 million increase in total shareholders' equity is attributable mainly to the recognition of \$32.0 million in net earnings, to the issuance of 3,906,250 shares for a value of \$50.0 million to three Desjardins Group-affiliated entities under a private placement of common shares of Innergex and \$3.2 million in shares issued under the DRIP, partly offset by \$74.5 million in dividends declared on common and preferred shares, and to the recognition of other items of comprehensive loss totalling \$0.5 million.

Contractual Obligations

As at December 31, 2016	Total	Under 1 year	1 to 3 years	4 to 5 years	Thereafter
Long-term debt including convertible debentures	2,787,856	99,418	116,286	428,432	2,143,720
Interest on long-term debt and convertible debentures	2,524,195	130,206	251,109	222,568	1,920,312
Purchase (Contractual) obligations ¹	158,742	21,342	18,087	19,166	100,147
Others	37,783	4,266	5,052	4,914	23,551
Total contractual obligations	5,508,576	255,232	390,534	675,080	4,187,730

1. Purchase obligations are derived mainly from engineering, procurement and construction contracts.

Contingencies

The acquisition of Cloudworks Energy Inc. realized in 2011 provides for the potential payment of additional amounts to the vendors over a period commencing on the acquisition date and ending in 2056. The deferred payments are effectively intended to provide for a potential sharing of the value created if the projects perform better than the Corporation expects and would result in incremental accretion to the Corporation net of these payments. The maximum aggregate amount of all deferred payments under this acquisition was limited to a present value amount of \$35.0 million as at the acquisition date. In the year ended December 31, 2015, the Corporation recognized an impairment related to its BC Prospective Projects acquired in 2011. Concurrently with the recognition of an impairment, the Corporation recorded a \$3.4 million gain on contingent considerations in 2015 in relation to amounts payable on the future development of the Prospective Projects in British Columbia acquired from Cloudworks Energy Inc. In 2016, the Corporation recorded an \$0.8 million loss on contingent considerations.

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(in thousands of Canadian dollars, except as noted, and amounts per share)

In connection with the Magpie Acquisition, the Corporation assumed an obligation to pay contingent consideration to the Minganie Regional County Municipality until the convertible debenture issued by Magpie Limited Partnership is converted. Upon conversion, the Minganie Regional County Municipality will be entitled to a participation of 30% in Magpie Limited Partnership.

Off-Balance-Sheet Arrangements

As at December 31, 2016, the Corporation had issued letters of credit totaling \$136.5 million to meet its obligations under its various PPAs and other agreements. Of this amount, \$50.5 million was issued under its revolving term credit facility, for the most part on a temporary basis during the construction of the Development Projects, with the remainder being issued under the projects' non-recourse credit facilities. As at that date, Innergex had also issued a total of \$28.9 million in corporate guarantees used mainly to support the performance of the Brown Lake and Miller Creek hydroelectric facilities and the construction of the Mesgi'g Ujju's'n project.

FREE CASH FLOW AND PAYOUT RATIO

Free Cash Flow

When evaluating its operating results, a key performance indicator for the Corporation is the cash flows available for distribution to common shareholders and for reinvestment to fund the Corporation's growth. Free Cash Flow is a non-IFRS measure that the Corporation calculates as cash flows from operating activities before changes in non-cash operating working capital items, less maintenance capital expenditures net of proceeds from disposals, scheduled debt principal payments and preferred share dividends declared. It also subtracts the portion of Free Cash Flow attributed to non-controlling interests regardless of whether an actual distribution to non-controlling interests is made in order to reflect the fact that such distribution may not occur in the period the Free Cash Flow is generated, and adds back cash receipts by the Harrison Hydro L.P. for the wheeling services to be provided to other facilities owned by the Corporation over the course of their PPAs. The Corporation also adjusts for other elements that represent cash inflows or outflows that are not representative of the Corporation's long-term cash generating capacity. Such adjustments include adding back transaction costs related to realized acquisitions (which are financed at the time of the acquisition) and adding back realized losses or subtracting realized gains on derivative financial instruments used to hedge the interest rate on project-level debt prior to securing such debt or the exchange rate on equipment purchases.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of Canadian dollars, except as noted, and amounts per share)

Free Cash Flow and Payout Ratio calculation	Year ended December 31		
	2016	2015	2014
Cash flows from operating activities	84,048	4,557	87,578
<i>Add (Subtract) the following items:</i>			
Changes in non-cash operating working capital items	49,148	(8,275)	13,218
Maintenance capital expenditures net of proceeds from disposals	(2,730)	(3,553)	(2,851)
Scheduled debt principal payments	(43,220)	(31,813)	(29,190)
Free Cash Flow attributed to non-controlling interests ¹	(8,571)	(2,550)	(4,865)
Dividends declared on Preferred shares	(5,942)	(7,125)	(7,125)
Cash receipt for wheeling services to be provided by the Harrison Hydro L.P. to other facilities ²	—	3,327	2,092
<i>Adjust for the following elements:</i>			
Transaction costs related to realized acquisitions	2,970	261	521
Realized losses on derivative financial instruments	—	119,557	8,366
Free Cash Flow	75,703	74,386	67,744
Dividends declared on common shares	68,524	63,646	59,549
Payout Ratio - before the impact of the DRIP	91%	86%	88%
Dividends declared on common shares and paid in cash ³	63,346	57,613	49,358
Payout Ratio - after the impact of the DRIP	84%	77%	73%

1. The portion of Free Cash Flow attributed to non-controlling interests is subtracted, regardless of whether or not an actual distribution to non-controlling interests is made, in order to reflect the fact that such distributions may not occur in the period they are generated.
2. These amounts represent cash receipts by the Harrison Hydro L.P. for the wheeling services to be provided to the Big Silver Creek and Tretheway Creek facilities respectively, 49.99% of which was included in the Free Cash Flow attributed to non-controlling interests.
3. Represents dividends declared on common shares outstanding that were not registered in the DRIP at the time of the declaration; the dividends declared on common shares registered in the DRIP were paid in common shares.

For the year ended December 31, 2016, the Corporation generated Free Cash Flow of \$75.7 million, compared with \$74.4 million for the same period last year. This slight increase in Free Cash Flow is due mainly to higher cash flows from operating activities in 2016 before changes in non-cash operating working capital items and realized losses on derivative financial instruments (none in 2016), which were partly offset by greater scheduled debt principal payments and higher free cash flow attributed to non-controlling interests. The Corporation also decided to invest more to pursue growth opportunities in new international markets, which also reduced cash flows from operating activities.

Payout Ratio

The Payout Ratio represents the dividends declared on common shares divided by Free Cash Flow. The Corporation believes it is a measure of its ability to sustain current dividends and dividend increases as well as its ability to fund its growth.

For the year ended December 31, 2016, the dividends on common shares declared by the Corporation amounted to 91% of Free Cash Flow, compared with 86% for the prior year. This change is due mainly to a slightly better Free Cash Flow than in 2015, which was more than offset by higher dividend payments as a result of a higher number of common shares outstanding due to the issuance of 3,906,250 shares to three Desjardins Group-affiliated entities under a private placement of common shares of Innergex and to the issuance of 94,000 shares following the exercise of stock options and 242,706 shares related to the DRIP.

The Payout Ratio reflects the Corporation's decision to invest each year in advancing the development of its Prospective Projects, which investments must be expensed as incurred. The Corporation considers such investments essential to its long-term growth and success, as it believes that the greenfield development of renewable energy projects offers the greatest potential internal rates of return and represents the most efficient use of management's expertise and value-added skills. For the year ended December 31, 2016, the Corporation incurred prospective project expenses of \$10.3 million, compared with \$8.0 million for the prior year. This 29% increase is attributable mainly to the advancement of a number of prospective projects and to pursuing opportunities in new international markets. Excluding these discretionary expenses, the Corporation's Payout

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(in thousands of Canadian dollars, except as noted, and amounts per share)

Ratio would have been approximately 11% points lower for the year ended December 31, 2016, and approximately 8% points lower for the prior year.

Furthermore, the Corporation does not expect to require additional equity in order to complete its Upper Lillooet River and Boulder Creek projects under construction, given the anticipated increase in cash flows from operations once these projects have been commissioned, the project-level financing that the Corporation has secured for the projects and the additional equity provided by the DRIP.

PROJECTED FINANCIAL PERFORMANCE

As at December 31, 2016, the Corporation has 46 Operating Facilities with a net installed capacity of 909 MW (gross 1,533 MW) and annualized consolidated long-term average production of 4,111 GWh. The Corporation is also pursuing the construction of Upper Lillooet River and Boulder Creek Development Projects with power purchase agreements.

		2017	2016	2015	
Power Generated (GWh)	approx. +31%	3,522	+18%	2,988	+1%
Revenues	approx. +44%	292,785	+19%	246,869	+2%
Adjusted EBITDA	approx. +48%	215,983	+18%	183,738	+2%
Number of facilities in operation	49	46	34		
Net installed capacity (MW)	1,011	909	708		
Consolidated LTA production, annualized (GWh)	4,640	4,111	3,130		

The increase in installed capacity and in the number of facilities in operation in 2016 reflects the commissioning of the Big Silver Creek hydroelectric facility and the Mesgi'g Ugu's'n wind farm before year-end as well as the acquisition of the Walden hydroelectric facility acquired in February 2016, the Seven French Entities acquired in April 2016 and the acquisition of the Two French Entities in Nouvelle-Aquitaine in December 2016. In 2016, Power Generated was expected to increase 6 to 8% and Revenues were expected to increase 9 to 11% while higher-than LTA production and acquisitions resulted in a 18% and 19% increase respectively. Although adjusted EBITDA was expected to increase by 7 to 9%, it actually increased by 18%, due to higher production and acquisitions.

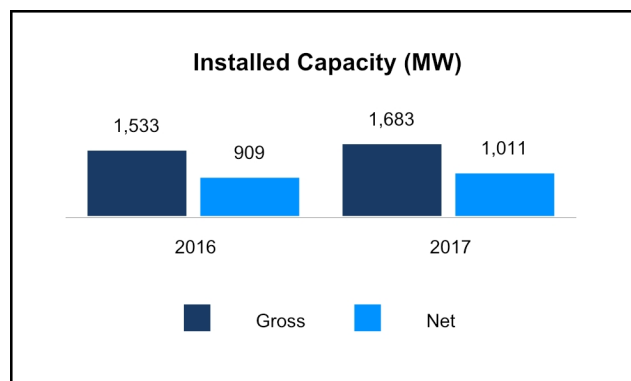
The Corporation makes certain projections to provide readers with an indication of its business activities and operating performance once the two existing Development Projects have been commissioned. These projections also include the data for the Yonne facility, acquired in the first quarter of 2017. These projections do not take into account possible acquisitions, divestments or additional Development Projects following the award of any new power purchase agreements. Projected increases in production and revenues reflect production levels in line with the long-term average production. The increase in Adjusted EBITDA reflects a significant increase in expected Prospective Projects expenses, as the Corporation funds its expansion into target markets internationally.

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(in thousands of Canadian dollars, except as noted, and amounts per share)

Projected Installed Capacity

The Corporation believes that installed capacity provides a good indication of the size and magnitude of its operations. Once the two Development Projects have been commissioned and following the acquisition of Yonne, the Corporation expects its net installed capacity to increase from 909 MW (gross 1,533 MW) at the end of 2016 to 1,011 MW (gross 1,683 MW) in 2017, corresponding to a 11% increase (gross 10%). Net installed capacity reflects the fact that some of the Corporation's facilities are not wholly owned. Installed capacity includes the Umbata Falls and Viger-Denonville facilities that are treated as joint ventures and accounted for using the equity method.



Projected Long-Term Average Production (LTA)

A key performance indicator for the Corporation is to compare actual electricity generation with the expected LTA production for each facility. Once the two Development Projects have been commissioned and following the acquisition of Yonne, the Corporation expects its annualized consolidated LTA production to increase from 4,111 GWh at the end of 2016 to 4,640 GWh in 2017, corresponding to a 13% increase. Consolidated LTA production is presented in accordance with revenue recognition accounting rules under IFRS and excludes the Umbata Falls and Viger-Denonville facilities that are treated as joint ventures and accounted for using the equity method.

Annualized Consolidated LTA Production (GWh)

	December 31, 2016	Run-Rate 2017
Hydro	2,591	3,019
Wind	1,482	1,583
Solar	38	38
Total	4,111	4,640

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of Canadian dollars, except as noted, and amounts per share)

Projected Adjusted EBITDA

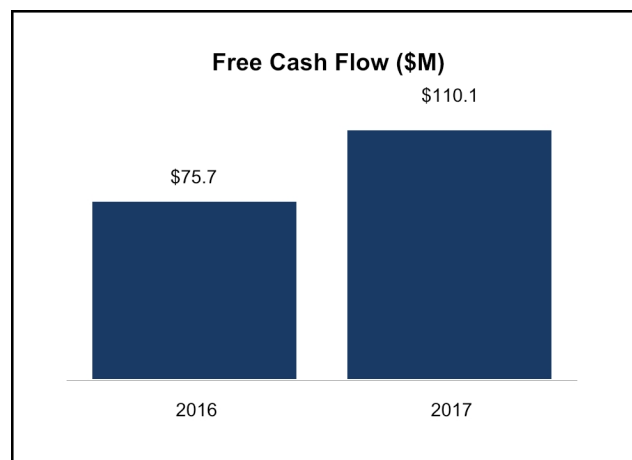
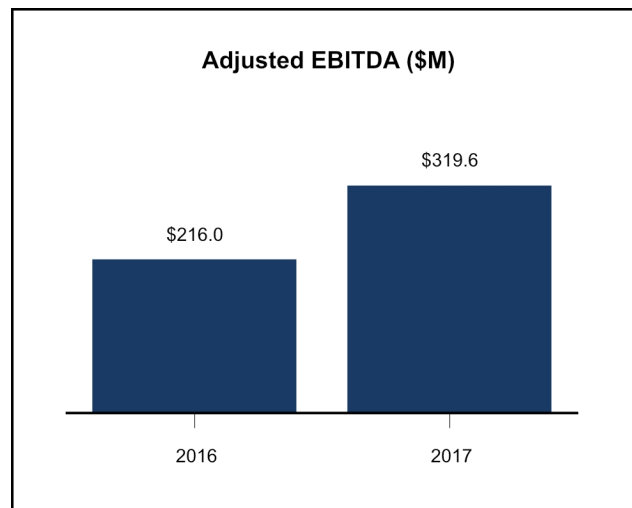
A key performance indicator for the Corporation is Adjusted EBITDA generation. Once the two Development Projects have been commissioned and following the acquisition of Yonne, the Corporation expects to generate Adjusted EBITDA in 2017 of approximately \$319.6 million, compared with \$216.0 million in 2016. This represents an increase of approximately 48% for 2017 compared to 2016. Adjusted EBITDA is presented in accordance with revenue recognition accounting rules under IFRS and excludes the Umbata Falls and Viger-Denonville facilities that are treated as joint ventures and accounted for using the equity method. The annual Adjusted EBITDA for these facilities combined attributable to the Corporation is approximately \$8.5 million.

It should be noted that Adjusted EBITDA does not take into account the impact of interest and principal payments on the Corporation's existing debt and on the project-level debt financing.

Projected Free Cash Flow

Another key performance indicator for the Corporation is the Free Cash Flow generated from its operations and available for distribution to common shareholders and for reinvestment to fund its growth. Once the two Development Projects have been commissioned and following the acquisition of Yonne, the Corporation expects to generate Free Cash Flow in 2017 of approximately \$110.1 million, compared with \$75.7 million in 2016. This represents an increase of approximately 45% for 2017 compared to 2016 and will reflect the cash flows generated by the Corporation's 49 Operating Facilities at that time, after taking into account maintenance capital expenditures, scheduled debt principal payments, preferred share dividends and the portion of Free Cash Flow attributed to non-controlling interests.

For more information on the principal assumptions used in determining projected financial information and the principal risks and uncertainties related thereto, please refer to the Forward-Looking Information section.



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SEGMENT INFORMATION

Geographic Segments

As at December 31, 2016, the Corporation had interests in 28 hydroelectric facilities, seven wind farms and one solar farm in Canada, nine wind farms in Europe and one hydroelectric facility in the United States. The Corporation operates in three principal geographical areas, which are detailed below.

	Year ended December 31	
	2016	2015
Revenues		
Canada	278,723	243,043
Europe	9,836	—
United States	4,226	3,826
	<u>292,785</u>	<u>246,869</u>

As at	December 31, 2016	December 31, 2015
Non-current assets, excluding financial instruments and deferred tax assets		
Canada	3,005,720	2,704,788
Europe	318,924	—
United States	7,365	8,043
	<u>3,332,009</u>	<u>2,712,831</u>

Canada

For the year ended December 31, 2016, the Corporation recorded revenues in Canada of \$278.7 million, compared with \$243.0 million last year. The increase in Canadian revenues is attributable mainly to better results from most of the British Columbia hydroelectric facilities compared with the same period last year and to the contribution of the recently commissioned and acquired facilities, namely the Tretheway Creek hydroelectric facility commissioned in November 2015, the Walden hydroelectric facility acquired in February 2016, the Big Silver Creek hydroelectric facility commissioned in July 2016 and the Mesgi'g Ugju's'n wind farm commissioned in December 2016, which were partly offset by lower revenues from the wind regime in Quebec and from the hydrologic regime in Ontario.

For the year ended December 31, 2016, the increase in non-current assets, excluding financial instruments and deferred income tax assets in Canada, stems mainly from the construction of the Big Silver Creek hydroelectric facility and the Mesgi'g Ugju's'n wind farm, the Upper Lillooet River and Boulder Creek development projects and the purchase of Walden on February 25, 2016.

Europe

For the year ended December 31, 2016, the increase in revenues and in non-current assets, excluding financial instruments and deferred income tax assets in France, stems from the French Entities acquired on April 15, 2016, and December 22, 2016.

United States

For the year ended December 31, 2016, the Corporation recorded revenues in the United States of \$4.2 million, compared with \$3.8 million last year. The increase in United States revenues is attributable to better operating results from the Horseshoe Bend hydroelectric facility compared with the same period last year. For the period ended December 31, 2016, the decrease in non-current assets stems mainly from depreciation.

Operating Segments

As at December 31, 2016, the Corporation had four operating segments: hydroelectric generation, wind power generation, solar power generation and site development.

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Through its hydroelectric, wind power and solar power generation segments, the Corporation sells electricity produced by its hydroelectric, wind and solar facilities to publicly owned utilities or other creditworthy counterparties. Through its site development segment, Innergex analyzes potential sites and develops hydroelectric, wind and solar facilities up to the commissioning stage.

The accounting policies for these segments are the same as those described in the Significant Accounting Policies section of the Corporation's audited consolidated financial statements for the year ended December 31, 2016. The Corporation evaluates performance based on Adjusted EBITDA and accounts for inter-segment and management sales at cost. Any transfers of assets from the site development segment to the hydroelectric, wind or solar power generation segments are accounted for at cost.

The operations of the Corporation's operating segments are conducted by different teams, as each segment has different skill requirements.

SUMMARY OPERATING RESULTS Year ended December 31, 2016	Hydroelectric Generation	Wind Power Generation	Solar Power Generation	Site Development	Total
Power generated (MWh)	2,718,768	760,814	42,063	—	3,521,645
Revenues	211,881	63,238	17,666	—	292,785
Expenses:					
Operating expenses	37,197	13,515	757	—	51,469
General and administrative expenses	8,459	4,090	152	2,344	15,045
Prospective project expenses	—	—	—	10,288	10,288
Adjusted EBITDA	166,225	45,633	16,757	(12,632)	215,983
Year ended December 31, 2015					
Power generated (MWh)	2,238,376	709,712	39,549	—	2,987,637
Revenues	173,567	56,691	16,611	—	246,869
Expenses:					
Operating expenses	30,696	9,512	730	—	40,938
General and administrative expenses	7,747	3,497	153	2,791	14,188
Prospective project expenses	—	—	—	8,005	8,005
Adjusted EBITDA	135,124	43,682	15,728	(10,796)	183,738

FINANCIAL POSITION As at December 31, 2016	Hydroelectric Generation	Wind Power Generation	Solar Power Generation	Site Development	Total
Goodwill	8,269	—	—	—	8,269
Total assets	1,993,033	1,003,964	108,231	498,976	3,604,204
Total liabilities	1,537,791	847,148	113,538	620,495	3,118,972
Acquisition of property, plant and equipment during the year	3,420	219,813	11	369,723	592,967
As at December 31, 2015					
Goodwill	8,269	—	—	—	8,269
Total assets	1,806,873	332,698	114,543	874,189	3,128,303
Total liabilities	1,344,518	213,415	107,641	991,172	2,656,746
Acquisition of property, plant and equipment during the year	4,051	871	81	299,549	304,552

Hydroelectric Generation Segment

For the year ended December 31, 2016, this segment produced 109% of the LTA and generated revenues of \$211.9 million, compared with production at 96% of the LTA and revenues of \$173.6 million last year. The revenue and production increases in this segment are due mainly to production equal or above the long-term average in all jurisdictions except Ontario during the period, to the contribution of the Tretheway Creek and Big Silver Creek hydroelectric facilities, which began commercial operation in November 2015 and July 2016 respectively, and to the contribution of the Walden hydroelectric facility acquired in February 2016.

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(in thousands of Canadian dollars, except as noted, and amounts per share)

The increase in total assets since December 31, 2015, stems mainly from the Big Silver Creek hydroelectric project being transferred from the Site Development Segment to the Hydroelectric Generation Segment following its commissioning in July 2016 and to the purchase of the Walden facility on February 25, 2016, which were partly offset by the depreciation of property, plant and equipment and amortization of intangible assets.

The increase in total liabilities since December 31, 2015, is attributable mainly to the transfer of the project financing of the Big Silver Creek project from the Site Development Segment to the Hydroelectric Generation Segment following its commissioning and to the purchase of the Walden facility on February 25, 2016, which were partly offset by the scheduled repayment of long-term debt.

Wind Power Generation Segment

For the year ended December 31, 2016, this segment produced 91% of the LTA and generated revenues of \$63.2 million, compared with production at 105% of the LTA and revenues of \$56.7 million for the same period last year. The decrease in the percentage of the LTA is due mainly to the lower wind regimes at the Quebec facilities and the sub-LTA wind regime at the French facilities. The revenue increase is due mainly to the acquisition of the French Entities.

The increase in total assets since December 31, 2015, is attributable mainly to the acquisition of the French Entities and to the Mesgi'g Ugnu's'n wind farm project being transferred from the Site Development Segment to the Wind Power Generation Segment following its commissioning in December 2016, partly offset by depreciation of property, plant and equipment and amortization of intangible assets.

The increase in total liabilities since December 31, 2015, is attributable mainly to the acquisition of the French Entities and to the Mesgi'g Ugnu's'n wind farm project being transferred from the Site Development Segment to the Wind Power Generation Segment following its commissioning in December 2016, partly offset by the scheduled repayment of long-term debt.

Solar Power Generation Segment

For the year ended December 31, 2016, this segment produced 111% of the LTA and generated revenues of \$17.7 million, compared with production at 104% of the LTA and revenues of \$16.6 million for the same period last year. The increase in production and revenues for the year stems mainly from solar irradiation higher than last year.

The decrease in total assets since December 31, 2015, results mainly from depreciation of property, plant and equipment and from amortization of intangible assets.

The increase in total liabilities since December 31, 2015, is attributable to Stardale's increase in its long-term debt borrowing upon refinancing, partly offset by scheduled repayments.

Site Development Segment

For year ended December 31, 2016, site development expenses were \$12.6 million respectively, compared with \$10.8 million in 2015. The increase is due mainly to investments made to pursue growth opportunities in new international markets.

The decrease in total assets since December 31, 2015, stems mainly from the Big Silver Creek hydroelectric project being transferred from the Site Development Segment to the Hydroelectric Generation Segment following its commissioning in July 2016 and the Mesgi'g Ugnu's'n wind farm project being transferred from the Site Development Segment to the Wind Power Generation Segment following its commissioning in December 2016, partly offset by the construction of the Upper Lillooet River and Boulder Creek hydroelectric facilities.

Since December 31, 2015, the decrease in total liabilities has been due mainly to the Big Silver Creek hydroelectric project being transferred from the Site Development Segment to the Hydroelectric Generation Segment following its commissioning in July 2016 and the Mesgi'g Ugnu's'n wind farm project being transferred from the Site Development Segment to the Wind Power Generation Segment following its commissioning in December 2016, which was partly offset by drawings on the Boulder Creek and Upper Lillooet River project financings.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of Canadian dollars, except as noted, and amounts per share)

QUARTERLY FINANCIAL INFORMATION

(in millions of dollars, unless otherwise stated)	Three months ended			
	Dec. 31, 2016	Sept. 30, 2016	June 30, 2016	Mar. 31, 2016
Power generated (MWh)	848,967	831,840	1,176,451	664,387
Revenues	73.3	69.3	87.8	62.5
Adjusted EBITDA	50.3	51.2	66.9	47.7
Realized and unrealized net gain (loss) on financial instruments	2.2	(1.3)	2.2	1.3
Impairment of project development costs	—	—	—	—
Net earnings	8.8	0.4	15.7	7.2
Net earnings attributable to owners of the parent	9.8	3.4	14.4	8.3
Net earnings attributable to owners of the parent (\$ per share – basic and diluted)	0.08	0.02	0.12	0.07
Dividends declared on preferred shares	1.5	1.5	1.5	1.5
Dividends declared on common shares	17.3	17.3	17.3	16.6
Dividends declared on common shares, \$ per share	0.160	0.160	0.160	0.160

(in millions of dollars, unless otherwise stated)	Three months ended			
	Dec. 31, 2015	Sept. 30, 2015	June 30, 2015	Mar. 31, 2015
Power generated (MWh)	647,062	777,975	904,172	658,427
Revenues	56.3	62.7	70.2	57.7
Adjusted EBITDA	38.8	48.6	53.4	43.0
Realized and unrealized net gain (loss) on financial instruments	2.0	(2.7)	18.6	(56.0)
Impairment of project development costs	(51.7)	—	—	—
Net (loss) earnings	(34.4)	1.3	22.5	(37.8)
Net (loss) earnings attributable to owners of the parent	(30.6)	5.8	22.8	(29.1)
Net (loss) earnings attributable to owners of the parent (\$ per share – basic and diluted)	(0.31)	0.04	0.21	(0.31)
Dividends declared on preferred shares	1.8	1.8	1.8	1.8
Dividends declared on common shares	16.1	16.2	15.7	15.7
Dividends declared on common shares, \$ per share	0.155	0.155	0.155	0.155

Comparing the results for the most recent quarters illustrates the seasonality that is characteristic of the Corporation's production and the variability of power generated, revenues and Adjusted EBITDA from quarter to quarter. As the Corporation's annualized consolidated LTA is 63% hydroelectric, this seasonality can be explained by water flows that are normally at their highest in the second quarter due to the snow melt season and at their lowest in the first quarter due to the cold temperatures, which limit precipitation in the form of rain. However, premiums for the electricity generated during the coldest months of the year included in some PPAs of the Corporation's hydroelectric facilities attenuate this seasonality. Wind regimes are generally best in the first quarter, while solar irradiation is at its highest during the summer months and at its lowest during the winter months.

Readers may expect the net earnings or losses to reflect this seasonality characteristic of run-of-river hydroelectric facilities, wind farms and solar farms. However, other factors also influence these figures, some of which have a relatively stable quarter-to-quarter impact while others are more variable. For the Corporation, the factor responsible for the largest fluctuations in net earnings (loss) is the unrealized and realized gains (losses) on financial instruments arising from the increase (decrease) in benchmark interest rates, and foreign exchange fluctuations. Historical analysis of net earnings (losses) should take this factor into account. It should be borne in mind that the unrealized changes in market value of derivative financial instruments result from interest rate fluctuations and foreign exchange fluctuations and do not have an impact on the Corporation's Adjusted EBITDA, finance costs, cash flows from operating activities, Free Cash Flow or Payout Ratio.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of Canadian dollars, except as noted, and amounts per share)

FOURTH QUARTER RESULTS

Electricity Production

Three months ended December 31	2016			2015		
	Production (MWh) ¹	LTA (MWh)	Production as a % of LTA	Production (MWh) ¹	LTA (MWh)	Production as a % of LTA
HYDRO						
Quebec	182,925	181,486	101%	150,780	181,486	83%
Ontario	14,250	21,212	67%	20,912	21,212	99%
British Columbia	409,994	315,077	130%	276,543	269,952	102%
United States	2,751	5,223	53%	2,301	5,223	44%
Subtotal	609,921	522,998	117%	450,536	477,873	94%
WIND						
Quebec	197,096	255,495	77%	190,198	207,276	92%
France	36,048	53,817	67%	—	—	—%
Subtotal	233,144	309,312	75%	190,198	207,276	92%
SOLAR						
Ontario	5,902	5,741	103%	6,328	5,783	109%
Total	848,967	838,051	101%	647,062	690,932	94%

1. The Umbata Falls hydroelectric facility and the Viger-Denonville wind farm are treated as joint ventures and accounted for using the equity method; their revenues are not included in the Corporation's consolidated revenues and, for the sake of consistency, their electricity production figures have been excluded from the production table. For more information on the Corporation's joint ventures, please refer to the Investments in Joint Ventures section.

During the three-month period ended December 31, 2016, the Corporation's facilities produced 849 GWh of electricity or 101% of the LTA of 838 GWh. Overall, the hydroelectric facilities produced 117% of their LTA due to above-average water flows in all markets, except Ontario and the USA. Overall, the wind farms produced 75% of their LTA due to the below-average wind regime in Quebec and in France. The solar farm produced 103% of its LTA due to an above-average solar regime. For more information on operating segment results, please refer to the Segment Information section.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of Canadian dollars, except as noted, and amounts per share)

Financial Results

	Three months ended December 31			
	2016		2015	
Revenues	73,265	100.0%	56,291	100.0%
Operating expenses	15,674	21.4%	11,185	19.9%
General and administrative expenses	4,508	6.2%	3,297	5.9%
Prospective project expenses	2,819	3.8%	2,990	5.3%
Adjusted EBITDA	50,264	68.6%	38,819	69.0%
Finance costs	26,228		20,097	
Other net revenues (loss)	895		(2,916)	
Depreciation and amortization	25,614		19,106	
Impairment of project development costs	—		51,719	
Share of earnings of joint ventures ¹	(2,919)		(858)	
Unrealized net gain on derivative financial instruments	(2,172)		(1,962)	
(Recovery of) income tax expense	(6,147)		(11,976)	
Net earnings (loss)	8,765		(34,391)	
Net earnings (loss) attributable to				
Owners of the parent	9,835		(30,570)	
Non-controlling interests	(1,070)		(3,821)	
	8,765		(34,391)	
Basic net earnings (loss) per share (\$)	0.08		(0.31)	

1. The Umbata Falls hydroelectric facility and Viger Denonville wind farm are treated as joint ventures and the Corporation's interests in these facilities are required to be accounted for using the equity method. For more information on the Corporation's joint ventures, please refer to the Investments in Joint Ventures section.

Revenues

For the three-month period ended December 31, 2016, the Corporation recorded revenues of \$73.3 million, compared with \$56.3 million for the three-month period ended December 31, 2015. This 30% increase is attributable mainly to better results from most of the British Columbia hydroelectric facilities compared with the same period last year and to the contribution of the recently commissioned or acquired facilities (the Tretheway Creek hydro facility commissioned in November 2015, the Walden hydroelectric facility acquired in February 2016, the French Entities acquired in April 2016 and December 2016, the Big Silver Creek facility commissioned on July 29, 2016, and the Mesgi'g Ugju's'n wind farm commissioned at the end of the fourth quarter of 2016), which were partly offset by lower revenues from the wind regime in Quebec and the hydrologic and solar regimes in Ontario.

Expenses

For the three-month period ended December 31, 2016, the Corporation recorded operating expenses of \$15.7 million (\$11.2 million in 2015), general and administrative expenses of \$4.5 million (\$3.3 million in 2015) and prospective project expenses of \$2.8 million (\$3.0 million in 2015). The increase in operating expenses compared with the same period last year is due mainly to the addition of the Tretheway Creek hydroelectric facility, the Walden hydroelectric facility, the French Entities acquired and the Big Silver Creek facility and to the variable costs associated with higher production levels. The increase in general and administrative expenses stems mainly from the greater number of facilities in operation.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of Canadian dollars, except as noted, and amounts per share)

Adjusted EBITDA

For the three-month period ended December 31, 2016, the Corporation recorded Adjusted EBITDA of \$50.3 million, compared with \$38.8 million for the same period last year, due mainly to higher revenues and expenses as described above.

Finance Costs

For the three-month period ended December 31, 2016, finance costs totalled \$26.2 million (\$20.1 million in 2015). The increase is due mainly to the interest expenses related to the commissioning of the Tretheway Creek, Big Silver Creek and Mesgi'g Ugju's'n facilities, the French acquisitions and to higher inflation compensation interest on the real-return bonds attributable to higher inflation during the period.

Depreciation and Amortization

For the three-month period ended December 31, 2016, depreciation and amortization expenses totalled \$25.6 million (\$19.1 million in 2015), attributable mainly to the Tretheway Creek hydroelectric facility commissioned in November 2015, the Walden hydroelectric facility acquired in February 2016, the French Entities acquired in April 2016 and December 2016, the Big Silver Creek hydroelectric facility commissioned in July 2016 and the Mesgi'g Ugju's'n wind farm commissioned in December 2016.

Net Earnings (Loss)

Net earnings of \$8.8 million (basic and diluted net earnings of \$0.08 per share), compared with a net loss of \$34.4 million (basic and diluted net loss of negative \$0.31 per share) in 2015, were recorded by the Corporation in the quarter. The difference is explained mainly by the \$11.4 million increase in Adjusted EBITDA and the recognition, in 2015, of an impairment expense by the Corporation in relation to some of its Prospective Projects in the amount of \$51.7 million related to its BC Prospective Projects, resulting in an income tax recovery of \$13.6 million and a net impact of \$38.1 million (nil in 2016). These factors were partly offset by higher finance costs, depreciation and amortization.

INVESTMENTS IN JOINT VENTURES

The Corporation's material joint ventures at the end of the reporting period were Umbata Falls Limited Partnership ("Umbata Falls, L.P.") (49% interest) and Parc éolien communautaire Viger-Denonville, s.e.c. (Viger-Denonville, L.P.) (50% interest). A summary of the electricity production and financial information for the Corporation's material joint ventures is presented below. The summarized financial information corresponds to amounts shown in the joint ventures' financial statements prepared in accordance with IFRS.

Electricity Production

Three months ended December 31	2016			2015		
	Production (MWh) ¹	LTA (MWh) ¹	Production as a % of LTA	Production (MWh) ¹	LTA (MWh) ¹	Production as a % of LTA
Umbata Falls	27,392	33,037	83%	27,549	33,037	83%
Viger-Denonville	19,309	20,300	95%	20,334	20,300	100%

Year ended December 31	2016			2015		
	Production (MWh) ¹	LTA (MWh) ¹	Production as a % of LTA	Production (MWh) ¹	LTA (MWh) ¹	Production as a % of LTA
Umbata Falls	111,019	109,101	102%	116,207	109,101	107%
Viger-Denonville	68,865	72,400	95%	80,319	72,400	111%

1. Corresponds to 100% of the facility's electricity production and LTA.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of Canadian dollars, except as noted, and amounts per share)

Umbata Falls, L.P.

Summary Statements of Earnings and Comprehensive Income – Umbata Falls, L.P.

	Year ended December 31	
	2016	2015
Revenues	9,429	9,854
Operating and general and administrative expenses	938	846
Adjusted EBITDA	8,491	9,008
Finance costs	2,507	2,559
Other net revenues	(31)	(32)
Depreciation and amortization	4,017	4,019
Unrealized net (gain) loss on financial instruments	(526)	1,217
Net earnings and comprehensive income	2,524	1,245

For the year ended December 31, 2016, production was 102% of the LTA, due mainly to above-average water flows during the year.

The decrease in Adjusted EBITDA for the year ended December 31, 2016, is due mainly to lower production levels in 2016 compared with the previous year.

For the year ended December 31, 2016, Umbata Falls L.P. recorded a \$2.5 million net earnings and comprehensive income, compared with \$1.2 million for the same period last year. The income for the year reflects the impact of a \$0.5 million unrealized net gain on financial instruments, compared with a \$1.2 million unrealized net loss for the same period last year and of a decrease in revenues. The unrealized gain on financial instruments result from the increase in benchmark interest rates.

Summary Statements of Financial Position – Umbata Falls, L.P.

	As at	December 31, 2016	December 31, 2015
Current assets		2,090	2,223
Non-current assets		64,647	68,467
		66,737	70,690
Current liabilities		3,033	3,062
Non-current liabilities		46,173	48,852
Partners' equity		17,531	18,776
		66,737	70,690

As at December 31, 2016, the reduction in partners' equity stems from the \$3.8 million distribution to the partners, partly offset by the recognition of \$2.5 million net earnings and comprehensive income. To manage its exposure to the risk of increasing interest rates on its debt financing, Umbata Falls, L.P. uses a derivative financial instrument but does not own or issue any derivative financial instruments for speculation purposes. An amortizing interest-rate swap totaling \$43.0 million used to hedge the interest rate on the Umbata Falls loan had a net negative value of \$7.6 million at December 31, 2016 (negative value of \$8.1 million at December 31, 2015).

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of Canadian dollars, except as noted, and amounts per share)

Viger-Denonville, L.P.

Summary Statements of Earnings and Comprehensive Income – Viger-Denonville, L.P.

	Year ended December 31	
	2016	2015
Revenues	10,293	11,978
Operating and general and administrative expenses	1,844	1,923
Adjusted EBITDA	8,449	10,055
Finance costs	3,635	3,636
Other net revenues	(30)	(45)
Depreciation and amortization	2,923	2,921
Unrealized net (gain) loss on financial instruments	(658)	1,639
Net earnings	2,579	1,904
Other comprehensive income	2	127
Total other comprehensive income	2,581	2,031

For the year ended December 31, 2016, production was 95% of the LTA, due mainly to the below-average wind regime. The decrease in Adjusted EBITDA is due mainly to lower production levels and revenues than for the same period last year.

On April 1, 2015, the Corporation began using hedge accounting in the treatment of existing derivative financial instruments used to fix the interest rate on the Viger-Denonville project-level debt in order to reduce the fluctuations in net earnings or losses resulting from unrealized gains or losses on these derivative financial instruments during a given period.

For the year ended on December 31, 2016, the increase in net earnings, compared with last year, is due mainly to an unrealized net gain on derivatives on financial instruments in 2016 compared with a loss in 2015, partly offset by lower revenues and production levels.

Summary Statements of Financial Position – Viger-Denonville, L.P.

	As at	December 31, 2016	December 31, 2015
Current assets		2,249	2,426
Non-current assets		56,583	59,518
		58,832	61,944
Current liabilities		4,375	4,500
Non-current liabilities		54,223	57,191
Partners' equity		234	253
		58,832	61,944

As at December 31, 2016, the small reduction in partners' equity stems mainly from a \$2.6 million distribution to the partners, partly offset by the recognition of a \$2.6 million net earnings and other comprehensive income. Viger-Denonville, L.P. uses a derivative financial instrument to manage its exposure to the risk of increasing interest rates on its debt financing and does not own or issue any derivative financial instruments for speculation purposes. An amortizing interest-rate swap totaling \$51.8 million used to hedge the interest rate of the Viger-Denonville loan had a net negative value of \$5.5 million at December 31, 2016 (negative \$6.2 million at December 31, 2015).

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of Canadian dollars, except as noted, and amounts per share)

NON-WHOLLY OWNED SUBSIDIARIES

Summarized financial information regarding each of the Corporation's subsidiaries that has material non-controlling interests is set out below. Amounts are shown before intragroup eliminations.

Harrison Hydro Limited Partnership ("Harrison Hydro L.P.") and Its Subsidiaries

The Corporation owns a 50.01% interest in Harrison Hydro Limited Partnership, which has interests in six hydroelectric facilities: Douglas Creek, Fire Creek, Lamont Creek, Stokke Creek, Tipella Creek and Upper Stave River.

Summary Statements of Earnings and Comprehensive Income – Harrison Hydro L.P.

	Year ended December 31	
	2016	2015
Revenues	60,039	42,452
Adjusted EBITDA	48,437	33,123
Net earnings (loss) and comprehensive income (loss)	4,982	(9,428)
Net earnings (loss) and comprehensive income (loss) attributable to:		
Owners of the parent	1,919	(5,287)
Non-controlling interests	3,063	(4,141)
	4,982	(9,428)

For the year ended December 31, 2016, net earnings are due mainly to higher production levels and revenues, partly offset by variable expenses, which increases according to production.

Summary Statements of Financial Position – Harrison Hydro L.P.

	As at	December 31, 2016	December 31, 2015
Current assets		22,416	16,930
Non-current assets		615,937	631,521
		638,353	648,451
Current liabilities		17,847	15,653
Non-current liabilities		458,037	461,810
Equity attributable to owners		100,759	105,593
Non-controlling interests		61,710	65,395
		638,353	648,451

The decrease in equity attributable to owners and non-controlling interests is due mainly to a \$13.5 million distribution to the Corporation and its partners, partially offset by the recognition of net earnings and comprehensive income.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of Canadian dollars, except as noted, and amounts per share)

Creek Power Inc. and Its Subsidiaries

The Corporation owns a 66 2/3% interest in Creek Power Inc., which has interests in the Fitzsimmons Creek hydroelectric facility and the Upper Lillooet River and Boulder Creek Development Projects. For more information on these projects, please refer to the Development Projects section.

Summary Statements of Earnings and Comprehensive Income – Creek Power Inc.

	Year ended December 31	
	2016	2015
Revenues	3,413	3,135
Adjusted EBITDA	1,532	1,198
Net loss	(4,559)	(19,077)
Other comprehensive income	26	147
Total comprehensive loss	(4,533)	(18,930)
Net loss attributable to:		
Owners of the parent	(3,028)	(12,708)
Non-controlling interest	(1,531)	(6,369)
	(4,559)	(19,077)
Total comprehensive loss attributable to:		
Owners of the parent	(3,011)	(12,610)
Non-controlling interest	(1,522)	(6,320)
	(4,533)	(18,930)

For the year ended December 31, 2016, the smaller net loss reflects a net gain of \$0.1 million on financial instruments compared with a pretax net loss of \$19.2 million last year. In 2015, the Corporation settled Boulder Creek and Upper Lillooet River bond forward contracts upon the closing of the financing for these projects on March 17, 2015, resulting in a realized loss on financial instruments of \$68.0 million, which was partly offset by an unrealized gain of \$48.8 million on financial instruments resulting from the reversal of unrealized losses accumulated at December 31, 2014, upon settlement of these bond forward contracts.

On April 1, 2015, the Corporation decided to begin using hedge accounting in the treatment of existing derivative financial instruments used to fix the interest rate on its project-level debts in order to reduce the fluctuations in net earnings or losses resulting from unrealized gains or losses on these derivative financial instruments during a given period.

Summary Statements of Financial Position – Creek Power Inc.

	As at	December 31, 2016	December 31, 2015
Current assets		82,759	182,681
Non-current assets		492,414	342,038
		575,173	524,719
Current liabilities		48,853	59,716
Non-current liabilities		605,658	539,660
Deficit attributable to owners		(56,651)	(53,541)
Non-controlling deficit		(22,687)	(21,116)
		575,173	524,719

The decrease in current assets is due mainly to the decrease in restricted cash which was used to pay for ongoing construction costs. The increase in non-current assets is due mainly to construction spending for the Upper Lillooet River and Boulder Creek projects. The decrease in current liabilities is due to a \$18.7 million reclassification to the non-current liabilities of the Fitzsimmons

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of Canadian dollars, except as noted, and amounts per share)

Creek project's loan, which was refinanced in 2016, partly offset by an increase in accounts payable of \$9.8 million due to ongoing construction at Upper Lillooet River and Boulder Creek sites.

Kwoiek Creek Resources Limited Partnership

The Corporation owns a 50.0% interest in Kwoiek Creek Resources Limited Partnership, which owns the Kwoiek Creek hydroelectric facility.

Summary Statements of Earnings and Comprehensive Income – Kwoiek Creek Resources Limited Partnership

	Year ended December 31	
	2016	2015
Revenues	19,840	18,553
Adjusted EBITDA	15,519	14,091
Net loss and comprehensive loss	(704)	(4,333)
Net loss and comprehensive loss attributable to:		
Owners of the parent	(352)	(1,947)
Non-controlling interest	(352)	(2,386)
	(704)	(4,333)

For the year ended December 31, 2016, the increase in revenues and EBITDA are due mainly to production levels that were higher than for the same period last year and lower operating expenses.

Summary Statements of Financial Position – Kwoiek Creek Resources Limited Partnership

	As at	December 31, 2016	December 31, 2015
Current assets		8,949	6,946
Non-current assets		175,049	177,836
		183,998	184,782
Current liabilities		9,964	8,599
Non-current liabilities		194,985	196,430
Deficit attributable to owners		(10,227)	(9,875)
Non-controlling interests deficit		(10,724)	(10,372)
		183,998	184,782

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(in thousands of Canadian dollars, except as noted, and amounts per share)

Mesgi'g Ugju's'n (MU) Wind Farm, L.P. ("Mesgi'g Ugju's'n")

The Corporation owns a 50% interest in Mesgi'g Ugju's'n (MU) Wind Farm, L.P., which owns the Mesgi'g Ugju's'n wind project. For more information on this project, please refer to the Development Projects and Commissioning Activities section. The Mesgi'g Ugju's'n wind farm began commercial operation on December 30, 2016.

Summary Statement of Earnings and Comprehensive Income – Mesgi'g Ugju's'n

	Year ended December 31	
	2016	2015
Revenues	1,024	—
Adjusted EBITDA	945	—
Net loss	(1,097)	(9,992)
Other comprehensive loss	(1,643)	(1,639)
Total comprehensive loss	(2,740)	(11,631)
Net loss attributable to:		
Owners of the parent	(794)	(6,869)
Non-controlling interest	(303)	(3,123)
	(1,097)	(9,992)
Total comprehensive loss attributable to:		
Owners of the parent	(1,955)	(8,028)
Non-controlling interest	(785)	(3,603)
	(2,740)	(11,631)

For the year ended December 31, 2016, the lower net loss reflects a minimal net gain on financial instruments compared with a \$9.9 million net loss in 2015. The facility began commercial operation in December 2016 and generated some revenue, which was offset by finance costs and amortization and depreciation expenses.

Summary Statement of Financial Position – Mesgi'g Ugju's'n

	As at	December 31, 2016	December 31, 2015
Current assets		64,843	97,923
Non-current assets		294,918	100,966
		359,761	198,889
Current liabilities		59,360	6,535
Non-current liabilities		264,582	155,434
Equity (deficit) attributable to owners		44,986	45,302
Non-controlling interest deficit		(9,167)	(8,382)
		359,761	198,889

The decrease in current assets is due in part to the decrease in restricted cash, which was used to pay for ongoing construction costs, partly offset by a \$49.3 million receivable from Hydro-Québec for the construction of the substation. The increase in non-current assets is due mainly to construction spending for the project.

The increase in current liabilities is mainly due to the substation construction loan to be paid in 2017 and to higher accounts payable related to construction. The increase in the non-current liabilities is due to drawings made on long-term debt related to construction costs.

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(in thousands of Canadian dollars, except as noted, and amounts per share)

Innergex Sainte-Marguerite, S.E.C. ("SM S.E.C.")

The Corporation owns 50.01% of the common units and all of the preferred units of SM S.E.C., which owns the Sainte-Marguerite hydroelectric facility.

Summary Statements of Earnings and Comprehensive Income – SM S.E.C.

	Year ended December 31	
	2016	2015
Revenues	10,666	10,562
Adjusted EBITDA	8,148	8,168
Net loss and comprehensive loss	(4,289)	(4,086)
Net loss and comprehensive loss attributable to:		
Owners of the parent	(2,145)	(2,044)
Non-controlling interest	(2,144)	(2,042)
	(4,289)	(4,086)

The recognition of a net loss is attributable mainly to the recording as an expense of the distributions on the preferred units held by the Corporation and to the interest on the debentures held by the Corporation's partner.

Summary Statements of Financial Position – SM S.E.C.

	As at	December 31, 2016	December 31, 2015
Current assets		2,344	1,476
Non-current assets		132,351	134,873
		134,695	136,349
Current liabilities		8,654	6,148
Non-current liabilities		120,681	120,552
Equity attributable to owners		10,922	13,067
Non-controlling interests deficit		(5,562)	(3,418)
		134,695	136,349

For the year ended December 31, 2016, the decrease in non-current assets is due mainly to the depreciation and amortization for the year. As at December 31, 2016, the decrease of equity attributable to owners and the increase in the non-controlling interest deficit is attributable to the recognition of a net loss and comprehensive loss during the year.

Innergex Europe (2015) Limited Partnership and Its Subsidiaries

On April 15, 2016, Innergex completed the acquisition of seven operating wind power projects in France. The Corporation realized the acquisition through wholly owned foreign subsidiaries of Innergex Europe (2015) Limited Partnership. Up to the investment made by Desjardins, 100% of the units of Innergex Europe (2015) Limited Partnership were owned by the Corporation. On June 10, 2016, Desjardins invested \$38.4 million in exchange for 30.45% of the common units and a \$32.0 million debenture issued by Innergex Europe (2015) Limited Partnership. The participation in the common units is reflected in the non-controlling interest account.

On December 22, 2016, Innergex and Desjardins completed the acquisition of two operating wind power projects located in Nouvelle-Aquitaine in France. The acquisition was realized through wholly owned foreign subsidiaries of Innergex Europe (2015) Limited Partnership.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of Canadian dollars, except as noted, and amounts per share)

Summary Statements of Earnings and Comprehensive Income – Innergex Europe (2015) Limited Partnership and Its Subsidiaries

	Period of 261 days ended December 31, 2016
Revenues	9,836
Adjusted EBITDA	5,208
Net loss	(11,309)
Other comprehensive loss	(799)
Total comprehensive loss	(12,108)
Net loss attributable to:	
Owners of the parent	(8,601)
Non-controlling interests	(2,708)
	(11,309)
Total comprehensive loss attributable to:	
Owners of the parent	(9,157)
Non-controlling interests	(2,951)
	(12,108)

From the acquisition on April 15, 2016, through December 31, 2016, production was 70% of the LTA, due mainly to the below-average wind regime in France. The net loss for the period is due mainly to lower revenues, which result from below-average production, and to acquisition and finance costs. The expenses include \$1.7 million of acquisition costs, \$1.5 million in interest payable to Desjardins on the \$38.2 million debenture, a \$4.3 million preferred return payable to Innergex on the \$87.2 million preferred units and \$0.6 million in interest payable to Innergex on a temporary bridge loan. Excluding these elements, the net loss would have been \$3.3 million. Expenses also include non-cash expenses such as depreciation and amortization of a total of \$9.8 million.

Although the Seven French Entities were acquired in the second quarter, it is worth mentioning that for the year ended December 31, 2016, production was 87% of the LTA for the seven wind farms in France. This is due primarily to production that was 118% of the LTA in the first quarter of 2016 despite production having been below-average since the acquisition. The Two French Entities Acquired in Nouvelle-Aquitaine began commercial operations in December 2016 and therefore were excluded from this calculation.

Summary Statements of Financial Position – Innergex Europe (2015) Limited Partnership and Its Subsidiaries

	As at December 31, 2016
Current assets	19,036
Non-current assets	325,310
	344,346
Current liabilities	32,475
Non-current liabilities	316,508
Deficit attributable to owners	(5,416)
Non-controlling interests	779
	344,346

The excess in current liabilities over the current assets comes mainly from the short-term portion of the long-term debt, which will be refunded with the revenues generated during the year. It is also comprised of a \$3.8 million due to the partners, which will be paid when the funds are available.

French Entities

The following figures are excluded from the controls policies and procedures of the Corporation as stated in the Establishment and Maintenance of DC&P and ICFR section of this MD&A.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of Canadian dollars, except as noted, and amounts per share)

Summary financial information about the French Entities is set out below:

Summary Statements of Earnings and Comprehensive Income – French Entities

	Period of 261 days ended December 31, 2016
Revenues	9,836
Adjusted EBITDA	5,669
Net loss	(1,552)
Other comprehensive income	64
Total comprehensive loss	(1,488)

Summary Statements of Financial Position – French Entities

	As at	December 31, 2016
Current assets		16,768
Non-current assets		304,754
		321,522
Current liabilities		29,527
Non-current liabilities		230,518
Equity		61,477
		321,522

RISKS AND UNCERTAINTIES

The Corporation is exposed to various risks and uncertainties and has outlined below those that it considers material. Additional risks and uncertainties are discussed in the “Risk Factors” section of the Corporation's most recent *Annual Information Form* available on SEDAR at sedar.com. There may also exist additional risks and uncertainties that are not presently known to the Corporation or that are currently believed to be immaterial that may adversely affect the Corporation's business.

Ability of the Corporation to Execute Its Strategy for Building Shareholder Value

The Corporation's strategy for building shareholder value is to acquire or develop high-quality facilities that generate sustainable cash flows and provide an attractive risk-adjusted return on invested capital, and to distribute a stable dividend. However, there is no certainty that the Corporation will be able to acquire or develop high-quality power production facilities at attractive prices to supplement its growth.

The successful execution of this strategy requires careful timing and business judgment as well as the resources to complete the development of power generating facilities. The Corporation may underestimate the costs necessary to bring power generating facilities into commercial operation or may be unable to quickly and efficiently integrate new acquisitions into its existing operations.

Ability to Raise Additional Capital and the State of the Capital Market

Future development and construction of new facilities and the development of the Development Projects and Prospective Projects and other capital expenditures will be financed out of cash generated from the Corporation's Operating Facilities, borrowings or the issuance and sale of additional equity. To the extent that external sources of capital, including issuance of additional securities of the Corporation, become limited or unavailable, the Corporation's ability to make necessary capital investments to construct existing or future projects or to maintain existing or future facilities would be impaired. There is no certainty that sufficient capital will be available on acceptable terms to fund further development or expansion. There are numerous renewable energy projects to be constructed in the coming years that will result in competition for capital. In addition, payment of dividends may impair the Corporation's ability to finance its ongoing and future projects.

Furthermore, the Corporation's capital-raising efforts could involve the issuance and sale of additional Common Shares, or debt securities convertible into its Common Shares, which, depending on the price at which such shares or debt securities are issued or converted, could have a material dilutive effect on holders of the Corporation's Common Shares and adversely impact the trading price of the Corporation's Common Shares.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of Canadian dollars, except as noted, and amounts per share)

Liquidity Risks Related to Derivative Financial Instruments

Derivative financial instruments are entered into with major financial institutions and their effectiveness is dependent on the performance of these institutions. Failure by one of them to perform its obligations could involve a liquidity risk. Liquidity risks related to derivative financial instruments also include the settlement of bond forward contracts on their maturity dates and the early termination option included in some interest rate swap contracts and foreign exchange contracts. The Corporation uses derivative financial instruments to manage its exposure to the risk of an increase in interest rates on its debt financing or of foreign currency variation. The Corporation does not own or issue financial instruments for speculation purposes.

Variability in Hydrology, Wind Regimes and Solar Irradiation

The amount of electricity generated by the Corporation's hydroelectric facilities depends on the availability of water flows. There is no certainty that the long-term availability of such resources will remain unchanged. The Corporation's revenues may be significantly affected by events that impact the hydrological conditions of the Corporation's hydroelectric project facilities such as low and high water flows within the watersheds on which the Corporation's hydroelectric facilities are located. In the event of severe flooding, the Corporation's hydroelectric facilities may be damaged. Similarly, the amount of electricity generated by the Corporation's wind farms will depend on the availability of wind, which is naturally variable. A reduced or increased amount of wind at the location of one of the wind farms over an extended period may reduce the production from such facility and may reduce the Corporation's revenues and profitability. Finally, the amount of electricity generated by the Corporation's solar farms will depend on the availability of solar irradiation, which is naturally variable. Lower solar irradiation levels at any of the Corporation's solar farms over an extended period may reduce the production from such facilities and the Corporation's revenues and profitability.

Delays and Cost Overruns in the Design and Construction of Projects

Delays and cost overruns may occur in completing the construction of the Development Projects, the Prospective Projects and future projects that the Corporation will undertake. A number of factors that could cause such delays or cost overruns include, without limitation, permitting delays, construction pricing escalation, changing engineering and design requirements, the performance of contractors, labour disruptions, adverse weather conditions and the availability of financing. Even when complete, a facility may not operate as planned due to design or manufacturing flaws, which may not all be covered by warranty. Mechanical breakdown could occur in equipment after the period of warranty has expired, resulting in loss of production as well as the cost of repair. In addition, if the Development Projects are not brought into commercial operation within the delay stipulated in their PPA, the Corporation may be subject to penalty payments or the counterparty may be entitled to terminate the related PPA.

Ability to Secure New Power Purchase Agreements or Renew Any Power Purchase Agreement

Securing new PPAs, which is a key component of the Corporation's growth strategy, is a risk factor in light of the competitive environment in which the Corporation operates. The Corporation expects to continue to enter into PPAs for the sale of its power, which PPAs are mainly obtained through participation in competitive requests for proposals. During these processes, the Corporation faces competitors ranging from large utilities to small independent power producers, some of which have significantly greater financial and other resources than the Corporation. There is no assurance that the Corporation will be selected as power supplier following any particular request for proposals in the future or that existing PPAs will be renewed or will be renewed on equivalent terms and conditions upon the expiry of their respective terms.

Health, Safety and Environmental Risks

The ownership, construction and operation of the Corporation's power generation assets carry an inherent risk of liability related to worker health and safety and the environment, including the risk of government imposed orders to remedy unsafe conditions and/or to remediate or otherwise address environmental contamination, potential penalties for contravention of health, safety and environmental laws, licenses, permits and other approvals and potential civil liability. Compliance with health, safety and environmental laws (and any future changes) and the requirements of licenses, permits and other approvals remain material to the Corporation's business. The Corporation has incurred and will continue to incur significant capital and operating expenditures to comply with health, safety and environmental laws and to obtain and comply with licenses, permits and other approvals and to assess and manage its potential liability exposure. Nevertheless, the Corporation may become subject to government orders, investigations, inquiries or other proceedings (including civil claims) relating to health, safety and environmental matters. The occurrence of any of these events or any changes, additions to or more rigorous enforcement of, health, safety and environmental laws, licenses, permits or other approvals could have a significant impact on the Corporation's operations and/or give rise to additional material and unanticipated expenditures. As a result, no assurances can be given that additional environmental and workers' health and safety issues relating to presently known or unknown matters will not require unanticipated expenditures, or result in fines, penalties or other consequences (including changes to operations) material to its business and operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of Canadian dollars, except as noted, and amounts per share)

Uncertainties Surrounding the Development of New Facilities

The Corporation participates in the development and construction of new power generating facilities. These facilities have greater uncertainty surrounding future profitability than existing Operating Facilities with established track records. In certain cases many factors affecting costs are not yet determined, such as land royalty payments, water royalties or municipal taxes. In other cases, the Corporation is required to advance funds and post-performance bonds in the course of developing these facilities. In the event that some of these facilities are not completed or do not operate according to specifications or that unforeseen costs or taxes are incurred, the Corporation could be adversely affected.

Obtainment of Permits

The Corporation does not currently hold all the approvals, licenses and permits required for the construction and operation of the Development Projects or the Prospective Projects, including environmental approvals and permits necessary to construct and operate the Development Projects or the Prospective Projects. The failure to obtain or delays in obtaining all necessary licenses, approvals or permits, including renewals thereof or modifications thereto, could result in construction of the Development Projects or the Prospective Projects being delayed or not being completed or commenced. There can be no assurance that any one Prospective Project will result in any actual operating facility. In addition, delays may occur in obtaining necessary government approvals required for future power projects.

From time to time, and in order to secure long lead times required for ordering equipment, the Corporation may place orders for equipment and make deposits thereon or advance projects prior to obtaining all requisite permits and licences. The Corporation takes such actions only when it reasonably believes that such licences or permits will be forthcoming in due course prior to the requirement to expend the full amount of the purchase price. However, any delay in permitting could adversely affect the Corporation.

Environmental permits to be issued in connection with any of the Development Projects or the Prospective Projects may contain conditions that need to be satisfied prior to obtaining a PPA, to start construction, during construction and during and after the operation of the Development Projects. It is not possible to predict the conditions imposed by such permits or the cost of any mitigating measures required by such permits.

Equipment Failure or Unexpected Operations and Maintenance Activity

The Corporation's facilities are subject to the risk of equipment failure resulting from the deterioration of the asset from use or age, latent defect and design or operator error, among other things. To the extent that a facility's equipment requires longer than forecast downtimes for maintenance and repair, or suffers power generation disruptions for other reasons, the Corporation's business, operating results, financial condition or prospects could be adversely affected.

Interest Rate Fluctuations and Refinancing Risk

Interest rate fluctuations are of particular concern to a capital-intensive industry such as electricity generation. The Corporation faces interest rate and debt refinancing risk in respect of floating-rate bank credit facilities used for construction and long-term financings. The Corporation's ability to refinance debt on favourable terms is dependent on debt capital market conditions, which are inherently variable and difficult to predict.

Financial Leverage and Restrictive Covenants Governing Current and Future Indebtedness

The Corporation's operations and those of its subsidiaries are subject to contractual restrictions contained in the instruments governing any of their current and future indebtedness. The degree to which the Corporation and its subsidiaries are leveraged could have important consequences to shareholders, including: (i) the Corporation's and its subsidiaries' ability to obtain additional financing for working capital, capital expenditures, acquisitions or other project developments in the future may be limited; (ii) a significant portion of the Corporation's and its subsidiaries' cash flows from operations may be dedicated to the payment of the principal of and interest on their indebtedness, thereby reducing funds available for future operations; (iii) some of the Corporation's and its subsidiaries' borrowings may carry variable interest rates, which exposes the Corporation and its subsidiaries to the risk of increasing interest rates; and (iv) the Corporation and its subsidiaries may be more vulnerable to economic downturns and be limited in their ability to withstand competitive pressures.

The Corporation and its subsidiaries are subject to operating and financial restrictions through covenants in certain loan and security agreements. These restrictions prohibit or limit the Corporation's and its subsidiaries' ability to, among other things, incur additional debt, provide guarantees for indebtedness, create liens, dispose of assets, liquidate, dissolve, amalgamate, consolidate or effect any corporate or capital reorganization, make distributions or pay dividends, issue any equity interests and create subsidiaries. These restrictions may limit the Corporation's and its subsidiaries' ability to obtain additional financing, withstand downturns in the Corporation's and its subsidiaries' business and take advantage of business opportunities. Moreover, the Corporation and its subsidiaries may be required to seek additional debt financing on terms that include more restrictive covenants, require repayment on an accelerated schedule, or impose other obligations that limit the Corporation's or its subsidiaries' ability to grow the business, acquire assets or take other actions the Corporation or its subsidiaries might otherwise

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of Canadian dollars, except as noted, and amounts per share)

consider appropriate or desirable.

Possibility That the Corporation May Not Declare or Pay a Dividend

Holders of Common Shares, Series A Preferred Shares and Series C Preferred Shares do not have a right to dividends on such shares unless such dividends are declared by the Board of Directors. The declaration of dividends is at the discretion of the Board of Directors even if the Corporation has sufficient funds, net of its liabilities, to pay such dividends.

The Corporation may not declare or pay a dividend if the Corporation's cash available for distribution is not sufficient or if there are reasonable grounds to believe that (i) the Corporation is, or would after the dividend payment be, unable to pay its liabilities as they become due; or (ii) the realizable value of the Corporation's assets would thereby be less than the aggregate of its liabilities and stated capital of its outstanding shares.

Changes in Governmental Support to Increase Electricity to be Generated from Renewable Sources by Independent Power Producers

Development and growth of renewable energy is dependent on governmental support, policies and incentives. Many provincial governments have introduced portfolio standards to increase the portion of renewable energy in their electricity generation supply mix in order to reduce greenhouse gas emissions over time. There is a risk that governmental support providing incentives for renewable energy could change at any time and that additional increase in the procurement of renewable energy projects from independent power producers be reduced or suspended at any time. As a result, the Corporation may face reduced ability to develop its prospective projects and may suffer material write-offs of prospective projects.

Foreign Market Growth and Development Risks

The Corporation may, in connection with any international expansion of its activities, face risks related to (i) its ability to effectively consummate future acquisitions, create new partnerships and develop, construct and operate projects in an unfamiliar regulatory and procurement market, (ii) competing with more established competitors; (iii) foreign exchange fluctuations; (iv) lack of knowledge of foreign market and (v) changes in international and local taxation.

Cybersecurity

The Corporation is dependent on various information technologies to carry out multiple business activities. A successful cyber intrusion, such as, and not limited to, unauthorized access, malicious software or other violations on the system that control generation and transmission at any of our offices or facilities could severely disrupt or otherwise affect business operations or diminish competitive advantages. These attacks on our information base systems through theft, alteration or destruction could generate unexpected expenses to investigate and repair security breaches or system damage and could lead to litigation, fines, other remedial action, heightened regulatory scrutiny and damage to our reputation. A breach of our cyber/data security measures could have a material adverse effect on the Corporation's business, operations, financial condition and results of operations.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates. During the reporting periods, management made a number of estimates and assumptions pertaining primarily to the fair value calculation of the assets acquired and liabilities assumed in business acquisitions, impairment of assets, useful lives and recoverability of property, plant and equipment, intangible assets and project development costs, deferred income taxes, asset retirement obligations, as well as the fair value of financial assets and liabilities including derivatives, effectiveness of hedging relationships and classification of structured entities. These estimates and assumptions are based on current market conditions, management's planned course of action and assumptions about future business and economic conditions. Changes in the underlying assumptions and estimates could have a material impact on the reported amounts. These estimates are reviewed periodically. If adjustments prove necessary, they are recognized in earnings in the period in which they are made.

Changes made during the year ended December 31, 2016, are described in the Accounting Changes section. Other significant accounting policies are listed in Note 3 of the Corporation's audited consolidated financial statements for the year ended December 31, 2016.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of Canadian dollars, except as noted, and amounts per share)

ACCOUNTING CHANGES

Revised IFRS Affecting the Reported Financial Performance and Financial Position in the Current Year

International Accounting Standard 1 ("IAS 1") – Presentation of Financial Statements

In December 2014, the International Accounting Standards Board ("IASB") issued Disclosure Initiative (Amendments to IAS 1), which addressed concerns expressed about some of the existing presentation and disclosure requirements in IAS 1 and ensured that entities are able to use judgment when applying those requirements. In addition, the amendments clarified the requirements in other comprehensive income. Those amendments must be applied for annual periods beginning on or after January 1, 2016. The application of this amendment has not had any material impact on the amounts reported for the current year.

IFRS 11 – Joint Arrangements

IFRS 11 was amended in May 2014 to add new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments are effective for annual periods beginning on or after January 1, 2016. The application of this standard has not had any material impact on the amounts reported for the current year.

IAS 7 – Statement of Cash Flows

In January 2016, the IASB issued Disclosure Initiative (Amendments to IAS 7), which addressed that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. Those amendments must be applied for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Corporation has disclosed the new requirements in Note 28 in the Financial Statements.

IAS 12 – Income Taxes

In January 2016, the IASB issued Amendments to IAS 12, which concluded that the diversity in practice around the recognition of a deferred tax asset that is related to a debt instrument measured at fair value is mainly attributable to uncertainty about the application of some of the principles in IAS 12. Those amendments must be applied for annual periods beginning on or after January 1, 2017. The new requirements on recognition of deferred tax assets were already followed by the Corporation. Accordingly, the Corporation has concluded that these amendments should not have any impact on its consolidated financial statements.

New and Revised IFRS Issued but Not Yet Effective

IFRS 2 – Share-based Payments

In June 2016, the IASB issued amendments to IFRS 2 Share-based Payments, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. Employees of the Corporation have taken training course in order to start evaluating the impact this standard is expected to have on its consolidated financial statements.

IFRS 9 – Financial Instruments (2014)

In July 2014, the IASB issued the complete IFRS 9 (2014), Financial Instruments ("IFRS 9 (2014)"). IFRS 9 (2014) differs in some regards from IFRS 9 (2013) which the Corporation early adopted effective October 1, 2014. IFRS 9 (2014) includes updated guidance on the classification and measurement of financial assets. The final standard also amends the impairment model by introducing a new expected credit loss model for calculating impairment. The mandatory effective date of IFRS 9 (2014) is for annual periods beginning on or after January 1, 2018, and must be applied retrospectively with some exemptions. Early adoption is permitted. Employees of the Corporation have taken training course in order to start evaluating the impact of the adoption of this standard on its consolidated financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of Canadian dollars, except as noted, and amounts per share)

IFRS 15 – Revenue from Contracts with Customers

In May 2014, IASB issued IFRS 15– Revenue from Contracts with Customers (“IFRS 15”). This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC-31 Revenue-Barter Transactions Involving Advertising Services. IFRS 15 applies to all contracts with customers except those that are within the scope of other IFRSs. IFRS 15 is effective for annual periods commencing on or after January 1, 2018, with early adoption permitted. Employees of the Corporation have taken training course in order to start evaluating the impact this standard is expected to have on its consolidated financial statements.

IFRS 16 – Leases (IFRS 16)

On January 13, 2016, the IASB issued IFRS 16 that provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It supersedes IAS 17 Leases and its associated interpretive guidance. Significant changes were made to lessee accounting with the distinction between operating and finance leases removed and assets and liabilities recognized in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). In contrast, IFRS 16 does not include significant changes to the requirements for lessors. IFRS 16 is effective January 1, 2019, with earlier application permitted. Employees of the Corporation have taken training course in order to start evaluating the impact of the adoption of this standard on its consolidated financial statements.

SUBSEQUENT EVENTS

Big Silver Term Loan

On January 31, 2017, the construction term loan of Big Silver was converted into a 39.5-year term loan.

Financing of Two of the French Subsidiaries

On February 10, 2017, two of the French subsidiaries concluded a €8,5 million subordinated debt financing with a French Infrastructure fund. The subordinated loan carries an interest rate of 7.25%, has an eight year tenor and its principal will be reimbursed at maturity.

Revolving Credit Facility

On February 21, 2017, the Corporation executed a Fifth Amended and Restated Credit Agreement of its existing \$425 million revolving credit facility. These amendments add flexibility to the Corporation to borrow in EURO via EURIBOR loans. The Corporation also extended its revolving term from 2020 to 2021 (except for one lender of \$42.5 million whose commitment remains until 2020) to provide greater financing flexibility. Moreover, a Letter of Credit Facility of an amount of up to \$30 million guaranteed by Export Development Canada (EDC) was added and will be put in place.

Acquisition of Yonne

On February 21, 2017, the Corporation and Desjardins completed the purchase of the Yonne wind farm, a 44 MW facility for which the commissioning activities began in the fourth quarter 2016 and were completed at the end of January 2017, and which was part of the French wind projects acquisition concluded in April 2016. The electricity produced by Yonne is sold under a power purchase agreement at fixed price for an initial term of 15 years, to Électricité de France. The total purchase price amounted to €35.2 million (or \$49.0 million), subject to certain adjustments. A €10.0 million (or \$13.9 million) deposit had already been provided by the Corporation. The project financing of €59.5 million (equivalent to \$82.8 million), which is already in place, will remain at the acquired project level. The Corporation reduces its exposure to exchange rate fluctuations by entering into long-term currency hedging instruments. Innergex owns a 69.55% interest in the wind farm and Desjardins Group Pension Plan owns the remaining 30.45%.

Responsibility for Financial Reporting

The consolidated financial statements of Innergex Renewable Energy Inc. (the “Corporation”) accompanying this annual report and all of the information herein concerning the Corporation are the responsibility of Management.

These consolidated financial statements were prepared by Management in accordance with **International Financial Reporting Standards (“IFRS”)** by applying the detailed accounting policies set out in the notes to the consolidated financial statements. Management is of the opinion that the consolidated financial statements were prepared based on reasonable criteria and using justifiable and reasonable estimates. The Corporation’s financial information, presented elsewhere in the annual report, is consistent with what is presented in the consolidated financial statements.

Management maintains efficient and high-quality internal accounting and management control systems while ensuring that costs are reasonable. These systems provide assurance that the financial information is relevant, accurate and reliable, and that the Corporation’s assets are correctly accounted for and adequately safeguarded.

The Board of Directors of the Corporation is responsible for ensuring that Management fulfils its financial reporting responsibilities. In addition, the Board of Directors is ultimately responsible for reviewing and approving the Corporation’s consolidated financial statements. The Board of Directors fulfils this responsibility through its Audit Committee.

The Audit Committee is appointed by the Board of Directors and all of its members are external non-related Directors.

The Audit Committee meets with Management and the independent auditor for the purposes of discussing internal controls relating to the financial reporting process, audit of financial information and other financial issues, and to make sure that each party is properly fulfilling its responsibilities. In addition, the Audit Committee reviews the annual report, the consolidated financial statements and the independent auditor’s report. The Audit Committee submits its finding to the Board of Directors for review and for approval of the consolidated financial statements prior to their presentation to the shareholders. The Audit Committee also determines whether to retain the services of independent auditor and to renew their mandate, which is subject to Board review and shareholders’ approval.

These consolidated financial statements were approved by the Corporation’s Board of Directors. The Corporation’s consolidated financial statements were audited by its independent auditor, Deloitte LLP, in accordance with **Canadian generally accepted auditing standards** and on the shareholders’ behalf. Deloitte LLP enjoy full and unrestricted access to the Audit Committee.

[s] Michel Letellier
Michel Letellier, MBA
President and Chief Executive Officer

[s] Jean Perron
Jean Perron, CPA, CA
Chief Financial Officer

Innergex Renewable Energy Inc.

Longueuil, Canada, February 23, 2017



INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Innergex Renewable Energy Inc.

We have audited the accompanying consolidated financial statements of Innergex Renewable Energy Inc., which comprise the consolidated statements of financial position as at December 31, 2016 and December 31, 2015 and the consolidated statements of earnings, consolidated statements of comprehensive income (loss), consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Innergex Renewable Energy Inc. as at December 31, 2016 and December 31, 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

[s] Deloitte LLP

Montreal, Quebec
February 23, 2017

¹ CPA auditor, CA, public accountancy permit No. A109248

CONSOLIDATED STATEMENTS OF EARNINGS

(in thousands of Canadian dollars, except as noted, and amounts per share)

	Notes	Year ended December 31	
		2016	2015
Revenues		292,785	246,869
Expenses			
Operating	6	51,469	40,938
General and administrative		15,045	14,188
Prospective projects		10,288	8,005
Earnings before finance costs, income taxes, depreciation, amortization, impairment of project development costs, other net expenses, share of earnings of joint ventures and unrealized net gain on financial instruments		215,983	183,738
Finance costs	7	95,254	83,130
Other net expenses	8	265	116,764
Earnings (loss) before income taxes, depreciation, amortization, impairment of project development costs, share of earnings of joint ventures and unrealized net gain on financial instruments		120,464	(16,156)
Depreciation	6, 18	61,722	53,261
Amortization	6, 19	28,581	22,217
Impairment of project development costs	20	—	51,719
Share of earnings of joint ventures	9	(2,526)	(1,562)
Unrealized net gain on financial instruments	10	(4,292)	(81,368)
Earnings (loss) before income taxes		36,979	(60,423)
Income tax expense (recovery of)			
Current	11	2,970	3,122
Deferred	11	1,966	(15,162)
		4,936	(12,040)
Net earnings (loss)		32,043	(48,383)
Net earnings (loss) attributable to:			
Owners of the parent		35,963	(30,301)
Non-controlling interests	29.2	(3,920)	(18,082)
		32,043	(48,383)
Weighted average number of common shares outstanding (in 000s)	12	106,883	102,304
Basic net earnings (loss) per share (\$)	12	0.28	(0.37)
Diluted weighted average number of common shares outstanding (in 000s)	12	107,762	102,587
Diluted net earnings (loss) per share (\$)	12	0.28	(0.37)

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(in thousands of Canadian dollars, except as noted, and amounts per share)

	Notes	Year ended December 31	
		2016	2015
Net earnings (loss)		32,043	(48,383)
Items of comprehensive income (loss) that will be subsequently reclassified to earnings:	27		
Foreign exchange (loss) gain on translation of self-sustaining foreign subsidiaries		(872)	1,689
Related deferred tax		91	(223)
Foreign exchange gain (loss) on the designated hedges on the investments in self-sustaining foreign subsidiaries		296	(1,610)
Related deferred tax		(17)	212
Change in fair value of hedging instruments		408	(2,267)
Related deferred tax		(74)	590
Share of change in fair value of hedging instruments of joint venture		1	64
Related deferred tax		—	(16)
Share of non-controlling interests in foreign exchange loss on translation of self-sustaining foreign subsidiaries		(253)	—
Share of non-controlling interests in foreign exchange gain on the designated hedges on the investments in self-sustaining foreign subsidiaries		9	—
Share of non-controlling interests in change in fair value of hedging instruments		(55)	(414)
Related deferred tax		14	(18)
Other comprehensive loss		(452)	(1,993)
Total comprehensive income (loss)		31,591	(50,376)
Other comprehensive loss attributable to:			
Owners of the parent		(167)	(1,561)
Non-controlling interests		(285)	(432)
		(452)	(1,993)
Total comprehensive income (loss) attributable to:			
Owners of the parent		35,796	(31,862)
Non-controlling interests		(4,205)	(18,514)
		31,591	(50,376)

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands of Canadian dollars, except as noted, and amounts per share)

As at		December 31, 2016	December 31, 2015
	Notes		
Assets			
Current assets			
Cash and cash equivalents		56,227	40,663
Restricted cash and short-term investments	15	89,742	312,720
Accounts receivable	16	98,847	37,073
Reserve accounts	17	—	1,315
Income tax receivable	11	—	4
Derivative financial instruments	10	1,527	1,209
Prepaid and others		5,886	4,363
		252,229	397,347
Non-current assets			
Reserve accounts	17	49,489	41,521
Property, plant and equipment	18	2,700,007	2,174,222
Intangible assets	19	544,865	472,271
Investments in joint ventures	9	8,758	9,327
Derivative financial instruments	10	8,117	2,768
Deferred tax assets	11	11,849	15,356
Goodwill	21	8,269	8,269
Other long-term assets		20,621	7,222
		3,604,204	3,128,303

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands of Canadian dollars, except as noted, and amounts per share)

As at		December 31, 2016	December 31, 2015
	Notes		
Liabilities			
Current liabilities			
Dividends payable to shareholders		18,795	17,892
Accounts payable and other payables	22	85,850	95,466
Income tax payable	11	1,292	1,234
Derivative financial instruments	10	14,541	15,337
Current portion of long-term debt	23	99,397	54,995
Current portion of other liabilities	24	495	246
		220,370	185,170
Non-current liabilities			
Derivative financial instruments	10	55,194	56,348
Accrual for acquisition of long-term assets		37,401	—
Long-term debt	23	2,507,236	2,160,438
Other liabilities	24	26,966	13,429
Liability portion of convertible debentures	25	94,840	93,430
Deferred tax liabilities	11	176,965	147,931
		3,118,972	2,656,746
Shareholders' equity			
Common share capital	26 a)	162,862	108,541
Contributed surplus from reduction of capital on common shares	26 b)	775,413	775,413
Preferred shares	26 c)	131,069	131,069
Share-based payment	26 d)	2,199	2,174
Equity portion of convertible debentures	25	1,877	1,877
Deficit		(601,157)	(567,848)
Accumulated other comprehensive loss	27	(1,743)	(1,576)
Equity attributable to owners		470,520	449,650
Non-controlling interests	29.2	14,712	21,907
Total shareholders' equity		485,232	471,557
		3,604,204	3,128,303

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(in thousands of Canadian dollars, except as noted, and amounts per share)

Year ended December 31, 2016	Equity attributable to owners										
	Number of common shares (In 000s)	Common shares capital account	Contributed surplus from reduction of capital on common shares	Preferred shares	Share- based payment	Equity portion of convertible debentures	Deficit	Accumulated other comprehensive loss	Total	Non- controlling interests	Total shareholders' equity
Balance January 1, 2016	103,938	108,541	775,413	131,069	2,174	1,877	(567,848)	(1,576)	449,650	21,907	471,557
Net earnings (loss)							35,963		35,963	(3,920)	32,043
Other items of comprehensive loss								(167)	(167)	(285)	(452)
Total comprehensive income (loss)	—	—	—	—	—	—	35,963	(167)	35,796	(4,205)	31,591
Common shares issued on April 15, 2016 : private placement (Note 5b))	3,906	50,000							50,000		50,000
Common shares issued through dividend reinvestment plan	243	3,209							3,209		3,209
Share-based payment					103				103		103
Share options exercised	94	1,112			(78)				1,034		1,034
Distributions to non- controlling interests									—	(7,388)	(7,388)
Investments from non- controlling interests							5,194		5,194	4,398	9,592
Dividends declared on common shares							(68,524)		(68,524)		(68,524)
Dividends declared on preferred shares							(5,942)		(5,942)		(5,942)
Balance December 31, 2016	108,181	162,862	775,413	131,069	2,199	1,877	(601,157)	(1,743)	470,520	14,712	485,232

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(in thousands of Canadian dollars, except as noted, and amounts per share)

Year ended December 31, 2015	Equity attributable to owners										
	Number of common shares (In 000s)	Common shares capital account	Contributed surplus from reduction of capital on common shares	Preferred shares	Share- based payment	Equity portion of convertible debentures	Deficit	Accumulated other comprehensive loss	Total	Non- controlling interests	Total shareholders' equity
Balance January 1, 2015	100,672	62,224	784,482	131,069	2,050	1,340	(466,336)	(15)	514,814	47,411	562,225
Net loss							(30,301)		(30,301)	(18,082)	(48,383)
Other items of comprehensive loss								(1,561)	(1,561)	(432)	(1,993)
Total comprehensive loss	—	—	—	—	—	—	(30,301)	(1,561)	(31,862)	(18,514)	(50,376)
Common shares issued through dividend reinvestment plan	758	8,172							8,172		8,172
Buyback of common shares	(1,190)	(998)	(9,069)				(2,282)		(12,349)		(12,349)
Share-based payment					192				192		192
Share options exercised	45	462			(68)				394		394
Convertible debentures converted into common shares	3,653	38,681				(648)	891		38,924		38,924
Redemption of convertible debentures						(692)	951		259		259
Equity portion of convertible debentures issued (Net of \$673 of deferred income taxes)						1,877			1,877		1,877
Distributions to non- controlling interests									—	(7,448)	(7,448)
Investments from non- controlling interests									—	458	458
Dividends declared on common shares							(63,646)		(63,646)		(63,646)
Dividends declared on preferred shares							(7,125)		(7,125)		(7,125)
Balance December 31, 2015	103,938	108,541	775,413	131,069	2,174	1,877	(567,848)	(1,576)	449,650	21,907	471,557

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of Canadian dollars, except as noted, and amounts per share)

	Notes	Year ended December 31	
		2016	2015
Operating activities			
Net earnings (loss)		32,043	(48,383)
Items not affecting cash:			
Depreciation	18	61,722	53,261
Amortization	19	28,581	22,217
Impairment of project development costs	20	—	51,719
Share of earnings of joint ventures	9	(2,526)	(1,562)
Unrealized net gain on financial instruments	10	(4,292)	(81,368)
Inflation compensation interest	7	4,207	2,937
Amortization of financing fees	7	1,194	753
Accretion of long-term debt and convertible debentures	7	1,442	1,184
Accretion expenses on other liabilities	7	551	609
Share-based payment		103	192
Deferred income taxes		1,966	(15,162)
Others		(130)	425
Interest on long-term debt and convertible debentures	7	86,687	76,752
Interest paid		(81,739)	(71,742)
Loss (gain) on contingent considerations		800	(3,447)
Distributions received from joint ventures		3,147	6,859
Current income tax expense		2,970	3,122
Net income taxes paid		(2,893)	(3,289)
Effect of exchange rate fluctuations		(638)	1,205
		133,195	(3,718)
Changes in non-cash operating working capital items	28	(56,442)	8,275
		76,753	4,557
Financing activities			
Dividends paid on common shares		(64,116)	(54,464)
Dividends paid on preferred shares		(6,237)	(7,125)
Distributions to non-controlling interests		(7,388)	(7,448)
Investments from non-controlling interests	29.2	9,565	—
Increase of long-term debt		872,247	1,241,951
Repayment of long-term debt		(657,207)	(665,085)
Payment of deferred financing costs		(2,680)	(13,842)
Payment of other liabilities	24	—	(244)
Payment for redemption of convertible debentures	25	—	(41,591)
Net proceeds from issuance of convertible debentures	25	—	95,527
Payment for buyback of common shares	26 a)	—	(12,349)
Proceeds from issuance of common shares	26	50,000	—
Proceeds from exercise of share options	26 d)	1,034	394
		195,218	535,724

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of Canadian dollars, except as noted, and amounts per share)

	Notes	Year ended December 31	
		2016	2015
Investing activities			
Cash acquired on business acquisitions	5	11,998	—
Business acquisitions	5	(125,493)	—
Decrease (increase) of restricted cash and short-term investments		222,978	(226,913)
Net funds withdrawn from (invested into) the reserve accounts	17	1,610	(1,336)
Additions to property, plant and equipment		(351,258)	(296,153)
Additions to project development costs		—	(29,107)
Investments in joint ventures		(50)	—
Additions to other long-term assets		(14,740)	(1,324)
Proceeds from disposal of property, plant and equipment		—	39
		(254,955)	(554,794)
Effects of exchange rate changes on cash and cash equivalents		(1,452)	567
Net increase (decrease) in cash and cash equivalents		15,564	(13,946)
Cash and cash equivalents, beginning of year		40,663	54,609
Cash and cash equivalents, end of year		56,227	40,663
<i>Cash and cash equivalents is comprised of:</i>			
Cash		55,489	22,898
Short-term investments		738	17,765
		56,227	40,663

Additional information is presented in Note 28.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars, except as noted, and amounts per share)

DESCRIPTION OF BUSINESS

Innergex Renewable Energy Inc. ("Innergex" or the "Corporation") was incorporated under the *Canada Business Corporation Act* on October 25, 2002. The Corporation is a developer, owner and operator of renewable power-generating facilities, essentially focused on the hydroelectric, wind power and solar photovoltaic sectors. The head office of the Corporation is located at 1111, St-Charles Street West, East Tower, Suite 1255, Longueuil, Qc, J4K 5G4, Canada.

These consolidated financial statements were approved by the Board of Directors on February 23, 2017.

These consolidated financial statements have been prepared in accordance with the accounting policies described in Note 3.

1. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS").

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments that are measured at fair values as described in the significant accounting policies. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

2. APPLICATION OF NEW AND REVISED IFRS

2.1 Revised IFRS affecting the reported financial performance and financial position in the current year

International Accounting Standard 1 ("IAS 1") - Presentation of Financial Statements

In December 2014, the International Accounting Standards Board ("IASB") issued Disclosure Initiative (Amendments to IAS 1), which addressed concerns expressed about some of the existing presentation and disclosure requirements in IAS 1 and ensured that entities are able to use judgment when applying those requirements. In addition, the amendments clarified the requirements in other comprehensive income. Those amendments must be applied for annual periods beginning on or after January 1, 2016. The application of this amendment has not had any material impact on the amounts reported for the current year.

IFRS 11- Joint Arrangements

IFRS 11 was amended in May 2014 to add new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments are effective for annual periods beginning on or after January 1, 2016. The application of this standard has not had any material impact on the amounts reported for the current year.

IAS 7 - Statement of Cash Flows

In January 2016, the IASB issued Disclosure Initiative (Amendments to IAS 7), which addressed that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. Those amendments must be applied for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Corporation has disclosed the new requirements in Note 28.

IAS 12 - Income Taxes

In January 2016, the IASB issued Amendments to IAS 12, which concluded that the diversity in practice around the recognition of a deferred tax asset that is related to a debt instrument measured at fair value is mainly attributable to uncertainty about the application of some of the principles in IAS 12. Those amendments must be applied for annual periods beginning on or after January 1, 2017. The new requirements on recognition of deferred tax assets were already followed by the Corporation. Accordingly, the Corporation has concluded that these amendments should not have any impact on its consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars, except as noted, and amounts per share)

2.2 New and revised IFRS issued but not yet effective

IFRS 2- Share-based Payments

In June 2016, the IASB issued amendments to IFRS 2 Share-based Payments, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. Employees of the Corporation have taken training course in order to start evaluating the impact this standard is expected to have on its consolidated financial statements.

IFRS 9 - Financial Instruments (2014)

In July 2014, the IASB issued the complete IFRS 9 (2014), Financial Instruments ("IFRS 9 (2014)"). IFRS 9 (2014) differs in some regards from IFRS 9 (2013) which the Corporation early adopted effective October 1, 2014. IFRS 9 (2014) includes updated guidance on the classification and measurement of financial assets. The final standard also amends the impairment model by introducing a new expected credit loss model for calculating impairment. The mandatory effective date of IFRS 9 (2014) is for annual periods beginning on or after January 1, 2018, and must be applied retrospectively with some exemptions. Early adoption is permitted. Employees of the Corporation have taken training course in order to start evaluating the impact of the adoption of this standard on its consolidated financial statements.

IFRS 15- Revenue from Contracts with Customers

In May 2014, IASB issued IFRS 15– Revenue from Contracts with Customers ("IFRS 15"). This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC-31 Revenue-Barter Transactions Involving Advertising Services. IFRS 15 applies to all contracts with customers except those that are within the scope of other IFRSs. IFRS 15 is effective for annual periods commencing on or after January 1, 2018, with early adoption permitted. Employees of the Corporation have taken training course in order to start evaluating the impact this standard is expected to have on its consolidated financial statements.

IFRS 16 Leases (IFRS 16)

On January 13, 2016, the IASB issued IFRS 16 that provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It supersedes IAS 17 Leases and its associated interpretive guidance. Significant changes were made to lessee accounting with the distinction between operating and finance leases removed and assets and liabilities recognized in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). In contrast, IFRS 16 does not include significant changes to the requirements for lessors. IFRS 16 is effective January 1, 2019, with earlier application permitted. Employees of the Corporation have taken training course in order to start evaluating the impact of the adoption of this standard on its consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The consolidated financial statements include the accounts of the Corporation, and the subsidiaries that it controls. Control exists where the Corporation has the power over the subsidiary, where the Corporation is exposed or has rights to variable returns from its involvement with the subsidiary and where the Corporation has the ability to use its power to affect its returns. Subsidiaries are consolidated from the effective date of acquisition up to the effective date of disposal or loss of control.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars, except as noted, and amounts per share)

Investments in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Corporation's share of the profit or loss and other comprehensive income of the joint venture. When the Corporation's share of losses of a joint venture exceeds the Corporation's interest in that joint venture (which includes any long-term interest that, in substance, forms part of the Corporation's net investment in the joint venture), the Corporation discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Corporation has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Corporation's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Corporation's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in earnings or loss.

The requirements of IAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Corporation's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of the impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Corporation discontinues the use of the equity method from the date when the investment ceases to be a joint venture. When the Corporation retains an interest in the former joint venture and the retained interest is a financial asset, the Corporation measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture. In addition, the Corporation accounts for all amounts previously recognized in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Corporation reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

Investments in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When the Corporation undertakes its activities under joint operations, the Corporation as a joint operator recognizes in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars, except as noted, and amounts per share)

The Corporation accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When the Corporation transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Corporation is considered conducting the transaction with other parties to the joint operation and profits and losses resulting from the transactions are recognized in the Corporation's consolidated financial statements only to the extent of the other parties' interests in the joint operation.

When the Corporation transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Corporation does not recognize its share of the gains and losses until it resells those assets to a third party.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the acquisition date, of assets given, liabilities incurred or assumed, and equity instruments issued by the Corporation in exchange for control of the acquiree. Acquisition-related costs are recognized in the consolidated statement of earnings as incurred. Where appropriate, the cost of acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition when they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with the relevant IFRS and reflected through net earnings. Changes in the fair value of contingent consideration classified as equity are not recognized.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank balances and short-term investments with original maturities of a year or less, net of bank overdrafts whenever they are an integral part of the Corporation's cash management process.

Restricted cash and short-term investments

The Corporation holds restricted cash and short-term investments as required under some of its project financings.

The restricted cash accounts and short-term investments are currently invested in cash or in short-term investments having maturities of three months or less.

The availability of funds in the restricted cash and short-term investments accounts are restricted by credit agreements.

Reserve accounts

The Corporation holds two types of reserve accounts designed to help ensure its financial stability. The first is the hydrology/wind reserve established at the start of commercial operations of a facility to compensate for the variability of cash flows related to fluctuations in hydrology or wind conditions or other unpredictable events. The amounts in the reserve are expected to vary from quarter to quarter according to the seasonality of cash flows. The second is the major maintenance reserve established in order to prefund any major plant repairs that may be required to maintain the Corporation's generating capacity.

The reserve accounts are currently invested in cash or in short-term investments having maturities of a year or less as well as in Government-backed securities.

The availability of funds in the reserve accounts may be restricted by credit agreements.

Property, plant and equipment

Property, plant and equipment are comprised mainly of hydroelectric facilities, wind farm facilities and a solar facility that are either in operation or under construction. They are recorded at cost less accumulated depreciation and accumulated impairment losses if any.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars, except as noted, and amounts per share)

Property, plant and equipment are depreciated using the straight-line method over the lesser of (i) the estimated useful lives of the assets or (ii) the period for which the Corporation owns the rights to the assets. Improvements that increase or extend the service life or capacity of an asset are capitalized. Maintenance and repair costs are expensed as incurred. Property, plant and equipment are not depreciated until they are ready for their intended use.

The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognized in earnings.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. The total costs of those assets, including the addition of borrowing costs, shall not exceed the recoverable amount of the assets.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in earnings in the period in which they are incurred.

The useful life used to calculate depreciation is as follows:

Type of property, plant and equipment	Ending years of depreciation period	Useful life for the depreciation period
Hydroelectric facilities	2019 to 2091	8 to 75 years
Wind farm facilities	2021 to 2041	14 to 25 years
Solar facility	2032 to 2037	20 to 25 years
Other equipments	2017 to 2024	3 to 10 years

Leases

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to income on a straight line basis over the term of the leases.

Intangible assets

Intangible assets consist of various permits, licenses and agreements. Intangibles assets are amortized using the straight-line method over a period ending on the maturity date of the permits, licenses or agreements of each facility. The estimated useful life reflects the respective Power Purchase Agreements' ("PPA") renewable rights periods, since it is the Corporation's intention to exercise its option to renew its PPAs. They are recorded at cost less accumulated amortization and accumulated impairment losses. Amortization starts when the related facility becomes ready for its intended use.

Intangible assets related to facilities under construction are not amortized until the related facilities are ready for their intended use. Intangible assets also include the cost of extended warranties for wind farm equipments; these costs are amortized over the warranty period.

The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars, except as noted, and amounts per share)

The useful life used to calculate amortization is as follows:

Intangible assets related to:	Ending years of amortization period	Useful life for the amortization period
Hydroelectric facilities	2017 to 2081	4 to 75 years
Wind farm facilities	2024 to 2031	8 to 20 years
Solar facility	2032	20 years

Project development costs

Project development costs represent costs incurred for the acquisition of prospective projects and for the development of hydroelectric, wind farm and solar sites. They are recorded at cost less impairment losses. Development phase starts when a public announcement is made by a utility that a prospective project has been selected to be awarded a power purchase agreement. These costs are transferred to property, plant and equipment or intangible assets when construction starts. Current costs for prospective projects are expensed as incurred and costs of a project under development are written off in the year if the project is abandoned. Borrowing costs directly attributable to the acquisition or development are capitalized as project development costs. See note 20.

Impairment of property, plant and equipment, intangible assets and project development costs other than goodwill

At the end of each reporting period, the Corporation reviews the carrying amounts of its property, plant and equipment, intangible assets and project development costs to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in earnings.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in earnings.

Goodwill

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the amount of the identifiable assets acquired and the liabilities assumed at the date of acquisition. If, after reassessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in earnings as a bargain purchase gain.

For purposes of impairment testing, goodwill is allocated to each of the Corporation's cash-generating unit (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars, except as noted, and amounts per share)

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the goodwill of the unit. Any impairment loss for goodwill is recognized in earnings. An impairment loss recognized for goodwill is not reversed in subsequent periods.

Other long-term assets

Other long-term assets include security deposits under various agreements and long-term receivables.

Accrual for acquisition of long-term assets

The accrual for acquisition of long-term assets is defined as long-term debt commitments that have been secured and that will be drawn upon to finance the Corporation's projects currently under development or construction.

Provisions and asset retirement obligations

A provision is a liability of uncertain timing or amount. Provisions are recognized when the Corporation has a present obligation (legal or constructive) as a result of a past event, it is probable that the Corporation will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. A legal obligation can arise through a contract, legislation, or other operation of law. A constructive obligation arises from an entity's actions whereby, through an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated it will accept certain responsibilities and has thus created a valid expectation that it will discharge those responsibilities. The amount recognized as a provision is the best estimate, at each period end, of the expenditures required to settle the present obligation considering the risks and uncertainties associated with the obligation. Where expenditures are expected to be incurred in the future, the obligation is measured at its present value using a current market-based, risk adjusted interest rate.

Asset retirement obligations are recorded as liabilities when those obligations are incurred and are measured as the present value, if a reasonable estimate of the expected costs to settle the liability can be determined, discounted at a current pre-tax rate specific to the liability. In subsequent years, the liability is adjusted for changes resulting from the passage of time and revisions to either the timing or the amount of the original estimate of the undiscounted cash flows. The accretion of the liability to its fair value as a result of the passage of time is charged to earnings while changes resulting from the revisions to either the timing, the amount of the original estimate of the undiscounted cash flows or a change of the discount rate are accounted for as part of the carrying amount of the related long-lived asset. The carrying amount of the asset retirement obligations is reviewed quarterly to reflect current estimates and changes in the discount rate.

Financial instruments

The Corporation initially recognizes financial assets on the trade date at which the Corporation becomes a party to the contractual provisions of the instrument.

Financial assets are initially measured at fair value. If the financial asset is not subsequently accounted for at fair value through profit or loss, then the initial measurement includes transaction costs that are directly attributable to the asset's acquisition or origination. On initial recognition, the Corporation classifies its financial assets as subsequently measured at either amortized cost or fair value, depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

(i) Financial assets measured at amortized cost

A financial asset is subsequently measured at amortized cost, using the effective interest method and net of any impairment loss, if:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and/or interest.

The Corporation currently classifies its Cash and cash equivalents, restricted cash and short-term investments, accounts receivable, and reserve accounts as assets measured at amortized cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars, except as noted, and amounts per share)

(ii) Financial assets measured at fair value

These assets are measured at fair value and changes therein, including any interest or dividend income, are recognized in net earnings unless hedge accounting is used in which case the changes are recognized in comprehensive income.

The Corporation currently classifies its derivative financial instruments as financial assets measured at fair value.

The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Financial liabilities are classified into the following categories.

(i) Financial liabilities measured at amortized cost

Non-derivative financial liabilities are initially recognized at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

The Corporation currently classifies its dividends payable to shareholders, accounts payables and other payables as liabilities as measured at amortized cost.

(ii) Financial liabilities measured at fair value

Financial liabilities at fair value are initially recognized at fair value and are re-measured at each reporting date with any changes therein recognized in net earnings unless hedge accounting is used in which case the changes are recognized in comprehensive income.

The Corporation currently classifies its derivative financial instruments as a financial liability measured at fair value.

The Corporation derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Corporation has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial instruments are classified in fair value hierarchy levels as follows:

Level 1 valuation based on quoted prices (unadjusted) in active markets to which the entity has access at the evaluation date for identical assets or liabilities;

Level 2 valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3 valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. The Corporation recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Impairment of financial assets

The Corporation assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. Impairment losses are recorded in other net expenses (revenues) if applicable.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated statement of earnings.

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Hedging relationships

The Corporation enters into derivative financial instruments to hedge its market risk exposures. On initial designation of new hedges the Corporation formally documents the relationship between the hedging instruments and hedged items, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Corporation makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be effective in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated.

For a cash flow hedge of a forecasted transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net earnings.

Derivatives are recognized initially at fair value, and attributable transaction costs are recognized in net earnings as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction that could affect net earnings, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and presented in accumulated other comprehensive income as part of equity. The amount recognized in other comprehensive income is removed and included in net earnings under the same line item in the consolidated statement of earnings as the hedged item, in the same period that the hedged cash flows affect net earnings. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in net earnings. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in other comprehensive income remains in accumulated other comprehensive income until the forecasted transaction affects net earnings. If the forecasted transaction is no longer expected to occur, then the balance in accumulated other comprehensive income is recognized immediately in net earnings.

Net investment in foreign operation hedges

The Corporation applies hedge accounting to foreign currency differences arising between the functional currency of the foreign operation and Corporation's functional currency (Canadian dollars).

Foreign currency differences arising on the translation of a financial liability designated as a hedge of a net investment in a foreign operation are recognized in other comprehensive income to the extent that the hedge is effective, and are presented within equity in the accumulated other comprehensive income. Any ineffective portion of changes in the hedging instruments is recognized directly in net earnings. When the hedged part of a net investment is disposed of, the relevant amount in the accumulated other comprehensive income is transferred to the statement of earnings as part of the profit or loss on disposal.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at fair value through profit or loss.

Non-controlling interests

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Corporation's equity therein. The interest of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interest's proportionate share in the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition by acquisition basis. Subsequent to acquisition, non-controlling interests consist of the amount attributed to such interests at initial recognition and the non-controlling interest's share of changes in equity since the date of the acquisition.

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Revenue recognition

Revenues are recognized, on an accrual basis, upon delivery of electricity at rates provided for under the PPAs entered into with the purchasing utilities or upon compensations from insurance or suppliers for loss of revenues when it is virtually certain that the claim will be received.

Government assistance

Government assistance in the form of subsidies or refundable investment tax credits are recorded in the consolidated financial statements when there is reasonable assurance that the Corporation complied with all conditions necessary to obtain the assistance.

The Corporation is entitled to subsidies under the EcoEnergy program. The subsidies are equal to 1¢ per kWh produced at the Ashlu Creek, Fitzsimmons Creek, Douglas Creek, Fire Creek, Stokke Creek, Tipella Creek, Lamont Creek, Upper Stave River, Magpie River and Umbata Falls hydro facilities and at the Carleton, Baie-des-Sables and L'Anse-à-Valleau wind farms for the first 10 years following commissioning of each facility. As per the electricity purchase agreements, the Corporation must transfer 75% of the Carleton, Baie-des-Sables and L'Anse-à-Valleau wind farms subsidies to Hydro-Québec. Gross EcoEnergy subsidies of \$15,227 (\$13,103 in 2015) are included in the revenues and the 75% payable to Hydro-Québec for the Carleton, Baie-des-Sables and L'Anse-à-Valleau wind farms are included in the operating expenses.

The Corporation incurs renewable energy development expenditures, which are eligible for refundable investment tax credits. The recorded investment tax credits are based on management's estimates of amounts expected to be recovered and are subject to an audit by the taxation authorities. Investment tax credits for renewable energy development expenditures are reflected as a reduction in the cost of the assets or expenses to which they relate.

Share-based payment

The Corporation measures equity-settled stock option awards using the fair value method. Expense is measured at the grant date at the fair value of the award and is recognized over the vesting period based on the Corporation's estimate of the number of options that will eventually vest. Each equity-settled stock option award that vests in installments is accounted for as a separate award with its own distinct fair value measurement. The fair value of options is amortized to earnings over the vesting period with an offset to share-based payment in equity. For options that are forfeited before vesting, the compensation expense that had previously been recognized and the offset to share-based payment in equity are reversed. When options are exercised, the corresponding share-based payment in equity and the proceeds received by the Corporation are credited to share capital.

Foreign currency translation

The Corporation and its subsidiaries each determine their functional currency based on the currency of the primary economic environment in which they operate. The Corporation's functional currency is the Canadian dollar. Transactions denominated in a currency other than the functional currency of an entity are translated at the exchange rate in effect on the transaction date. The resulting exchange gains and losses are included in each entity's net earnings in the period in which they arise.

The Corporation's foreign operations are translated to the Corporation's presentation currency, which is the Canadian dollar, for inclusion in the consolidated financial statements. Foreign denominated monetary and non-monetary assets and liabilities of foreign operations are translated at exchange rates in effect at the end of the reporting period and revenue and expenses are translated at exchange rate in effect on the transaction date. The resulting translation gains and losses are included in other comprehensive income (loss) with the cumulative gain or loss reported in accumulated other comprehensive income. Amounts previously recognized in accumulated other comprehensive income are recognized in earnings when there is a reduction in the net investment.

The Corporation designates a portion of its U.S. dollar-denominated debt to hedge its investment in its U.S. functional currency foreign operations. The Corporation also designates a portion of its foreign exchange forwards to hedge its investment in its Euro functional currency foreign operations. Translation gains or losses on the portion of the debt and foreign exchange forwards designated as hedges are included in other comprehensive income with the cumulative gain or loss reported in accumulated other comprehensive income. The gain or loss relating to the portion of the debt and foreign exchange forwards in excess of the investment in the foreign subsidiaries is recognized immediately in earnings. Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated in the foreign currency translation reserve are reclassified to earnings in the same way as exchange differences relating to the foreign operations. The Corporation formally documents these hedges. On a quarterly basis, the Corporation reviews the hedges to ensure

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(in thousands of Canadian dollars, except as noted, and amounts per share)

that they effectively offset the translation gains or losses arising from its investment in its U.S. and its Euro functional currencies foreign operations.

Income taxes

Current tax and deferred tax are recognized in earnings except to the extent that it relates to a business combination, or to items recognized directly in equity or in other comprehensive income (loss).

Current tax is the expected tax on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is not recognized in respect of subsidiaries for the temporary differences between the carrying amounts of the investments and the tax basis, unless such differences are expected to reverse in the foreseeable future.

Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized.

Earnings (loss) per share

Basic earnings (loss) per share are computed by dividing net earnings available to common shareholders by the weighted average number of shares outstanding during the year.

The Corporation uses the treasury stock method for calculating diluted earnings (loss) per share. Diluted earnings (loss) per share are computed similarly to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares from the assumed conversion of convertible debentures and the exercise of stock options, if dilutive. The number of additional shares is calculated by assuming that convertible debentures were converted and that outstanding stock options were exercised and that the proceeds from such exercises were used to acquire shares at the average market price during the year.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Significant estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates. During the reporting periods, management made a number of estimates and assumptions pertaining primarily to the fair value calculation of the assets acquired and liabilities assumed in business acquisitions, impairment of assets, useful lives and recoverability of property, plant and equipment, intangible assets and project development costs, deferred income taxes, asset retirement obligations, as well as the fair value of financial assets and liabilities including derivatives, effectiveness of hedging relationships and classification of structured entities. These estimates and assumptions are based on current market conditions, management's planned course of action and assumptions about future business and economic conditions. Changes in the underlying assumptions and estimates could have a material impact on the reported amounts. These estimates are reviewed periodically. If adjustments prove necessary, they are recognized in earnings in the period in which they are made.

Critical judgments and estimates

Fair Value of Financial Instruments

Certain financial instruments, such as derivative financial instruments, are carried in the consolidated statements of financial position at fair value, with changes in fair value reflected in earnings unless hedge accounting is used in which case the changes are recognized in comprehensive income. Fair values of some financial instruments are estimated by using valuation techniques using several assumptions such as interest rate, credit spread and risk.

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Useful Lives of Property, Plant and Equipment and Intangible assets

Property, plant and equipment and intangible assets represent a significant proportion of the Corporation's total assets. The Corporation reviews estimates of the useful lives of property, plant and equipment and Intangible assets on an annual basis and adjust depreciation on a prospective basis, if necessary.

Goodwill Impairment

The Corporation makes a number of estimates when calculating the recoverable amount of goodwill using discounted future cash flows or other valuation methods. These estimates include the assumed growth rates for future cash flows, the numbers of years used in the cash flow model, and the discount rate.

Impairment of Property, plant and equipment, Intangible assets and Project development costs

The Corporation makes a number of estimates when calculating fair value using discounted future cash flows or other valuation methods. These estimates include the assumed growth rates for future cash flows, the number of years used in the cash flow model, and the discount rate. The likelihood of being able to develop future projects is also assessed in regards of the competitive business environment and the willingness expressed by the governmental authorities of procuring additional sources of energy.

Business acquisition fair value

The Corporation makes a number of estimates when determining the acquisition date fair values of assets and liabilities acquired in a business acquisition. Fair values are estimated by using valuation techniques using several assumptions such as future production, earnings and expenses, interest and discount rates.

Structured entity

Based on the contractual arrangements between the Corporation and the other respective partner, the Corporation concluded that it has control over Kwoiek Creek Resources L.P and Mesgi'g Ugnu's'n (MU) Wind Farm L.P.

Asset retirement obligations

The Corporation makes a number of estimates when calculating fair value of the amount of obligation using discounted rate. The obligation is measured at its present value using a current market-based, risk adjusted interest rate.

Hedging

The Corporation makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be effective in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated.

Income Taxes

The calculation of income taxes requires judgment in interpreting tax rules and regulations. The Corporation's tax filings are also subject to audits, the outcome of which could change the amount of current and deferred tax assets and liabilities. The Corporation believes that it has sufficient amounts accrued for outstanding tax matters based on the information that currently is available. Deferred tax assets and liabilities require management's judgment in determining the amounts to be recognized. In particular, judgment is required when assessing the timing of reversal of temporary differences to which future income tax rates are applied. Further, the amount of deferred tax assets, which is limited to the amount that is probable to be realized, is estimated with consideration given to the timing, sources and amounts of future taxable profit.

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(in thousands of Canadian dollars, except as noted, and amounts per share)

5. BUSINESS ACQUISITIONS

a. Acquisition of assets of Walden

On February 25, 2016, the Corporation and Cayoose Creek Development Corporation ("Cayoose") finalized the acquisition of the Walden ("Walden") run-of-river hydroelectric facility located in British Columbia, Canada. The purchase price of \$9,200 for the Walden facility was paid in cash, of which \$870 was paid as a deposit in the fourth quarter of 2015 and was classified under other long-term assets as at December 31, 2015.

The Corporation and Cayoose respectively own 51% and 49% of the participating units of Cayoose Creek Power Limited Partnership ("Cayoose L.P."), which was formed for the acquisition of the Walden facility.

All power generated from the facility is sold to British Columbia Hydro and Power Authority.

Additional cash flows generated from the assets acquired are expected to further increase the Corporation's liquidity and flexibility to fund the development of future projects. The acquisition of the Walden facility added an additional installed gross capacity of approximately 16 MW to the Corporation's portfolio of operational hydroelectric facilities.

The following table reflects the final purchase price allocation of the purchase price to the fair value of the net assets acquired:

	Final purchase price allocation
Property, plant and equipment	1,786
Intangible assets	8,078
Deferred tax liabilities	(664)
Net assets acquired	9,200

The transaction costs relating to this acquisition have been expensed as transaction costs of the business combination in accordance with IFRS 3 (see note 8).

If the acquisition had taken place on January 1, 2016, the consolidated revenues and net earnings for the year ended December 31, 2016 would have been \$292,898 and \$31,993 respectively.

The amounts of revenues and net earnings of Cayoose LP since February 25, 2016 included in the consolidated statement of earnings are \$2,533 and \$995 respectively for the 311 days ended December 31, 2016.

b. Acquisition of 7 operating wind facilities in France

On April 15, 2016, the Corporation finalized the acquisition of a portfolio of 7 operating wind facilities located in France ("the Seven French Entities Acquired"). The purchase price for the wind power projects is a net cash consideration of €63,971 (all amounts in € are in thousands of €) (\$94,465), subject to certain adjustments.

Simultaneously, an amount of €10,000 (\$13,922) was also paid as a deposit for a project currently under construction.

All power generated from the operating facilities is sold to Électricité de France and S.I.C.A.E Oise.

Additional cash flows generated from the assets acquired are expected to further increase the Corporation's liquidity and flexibility to fund the development of future projects. The Seven French Entities Acquired added an additional gross installed capacity of 86.8 MW to the Corporation's portfolio of operational wind farms.

To finance part of the acquisition, three Desjardins Group affiliated entities have collectively subscribed to a private placement of 3,906,250 common shares of the Corporation for proceeds of \$50,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars, except as noted, and amounts per share)

The following table reflects the preliminary purchase price allocation of the purchase price to the fair value of the net assets acquired:

	Preliminary purchase price allocation	
	€	\$
Cash and cash equivalents	8,050	11,887
Accounts receivable	2,315	3,419
Prepaid and others	1,018	1,503
Reserve accounts	4,449	6,570
Property, plant and equipment	106,543	157,330
Intangible assets	51,258	75,692
Accounts payable and other payables	(1,952)	(2,882)
Current portion of derivative financial instruments	(42)	(62)
Long-term debt	(88,150)	(130,170)
Derivative financial instruments	(213)	(315)
Asset retirement obligations	(3,129)	(4,620)
Deferred tax liabilities	(16,176)	(23,887)
Net assets acquired	63,971	94,465

The purchase price allocation remains subject to the completion of working capital adjustments, intangible assets, deferred tax liabilities and consequential adjustments.

The transaction costs relating to this acquisition have been expensed as transaction costs of the business combination in accordance with IFRS 3 (see note 8).

If the acquisition had taken place on January 1, 2016, the consolidated revenues and net earnings for the year ended December 31, 2016 would have been \$301,905 and \$33,100 respectively.

The amounts of revenues and net loss of the facilities since April 15, 2016 included in the consolidated statement of earnings are \$9,771 and \$5,710 respectively for the 261 days ended December 31, 2016.

c. Acquisition of 2 additional French wind farms in Nouvelle-Aquitaine (France)

On December 22, 2016, the Corporation finalized the acquisition of 2 operating wind facilities located in France ("the Two French Entities Acquired in Nouvelle-Aquitaine"). The purchase price for the wind power projects is a net cash consideration of €16,124 (\$22,698), subject to certain adjustments.

All power generated from the operating facilities is sold to Électricité de France.

Additional cash flows generated from the assets acquired are expected to further increase the Corporation's liquidity and flexibility to fund the development of future projects. The Two French Entities Acquired in Nouvelle-Aquitaine added an additional gross installed capacity of 24 MW to the Corporation's portfolio of operational wind farms.

The Corporation owns a 69.55% interest in the project and the Régime de rentes du Mouvement Desjardins (RRMD) owns the remaining 30.45%.

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(in thousands of Canadian dollars, except as noted, and amounts per share)

The following table reflects the preliminary purchase price allocation of the purchase price to the fair value of the net assets acquired:

	Preliminary purchase price allocation	
	€	\$
Cash and cash equivalents	79	111
Accounts receivable	9,022	12,700
Prepaid and others	6	8
Reserve accounts	1,400	1,971
Property, plant and equipment	43,858	61,740
Intangible assets	14,410	20,285
Accounts payable and other payables	(12,271)	(17,275)
Long-term debt	(34,235)	(48,192)
Asset retirement obligations	(1,312)	(1,846)
Deferred tax liabilities	(4,834)	(6,804)
Net assets acquired	16,123	22,698

The purchase price allocation remains subject to the completion of the valuation of the property, plant and equipment, intangible assets, deferred tax liabilities and consequential adjustments.

The transaction costs relating to this acquisition have been expensed as transaction costs of the business combination in accordance with IFRS 3 (see note 8).

If the acquisition had taken place on January 1, 2016, the consolidated revenues and net earnings for the year ended December 31, 2016 would have been \$292,960 and \$31,859 respectively.

The amounts of revenues and net earnings of the facilities since December 22, 2016 included in the consolidated statement of earnings are \$65 and \$41 respectively for the 9 days ended December 31, 2016.

6. OPERATING EXPENSES

	Year ended December 31	
	2016	2015
Salaries	4,421	4,168
Insurance	2,894	2,601
Operation and maintenance	22,398	18,054
Property taxes and royalties	21,756	16,115
	51,469	40,938

Depreciation and amortization recorded in the consolidated statements of earnings are mainly related to operating expenses incurred to generate revenues.

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7. FINANCE COSTS

	Year ended December 31	
	2016	2015
Interest on long-term debt and on convertible debentures	86,687	76,752
Inflation compensation interest	4,207	2,937
Amortization of financing fees	1,194	753
Accretion of long-term debt and convertible debentures	1,442	1,184
Accretion expenses on other liabilities	551	609
Others	1,173	895
	95,254	83,130

8. OTHER NET EXPENSES

	Year ended December 31	
	2016	2015
Transaction costs	2,547	261
Realized loss on derivative financial instruments	—	119,557
Realized (gain) loss on foreign exchange	(1,008)	1,403
Loss (gain) on contingent considerations 24 a)	800	(3,447)
Other net revenues	(1,599)	(1,010)
Recovery of loan impairment	(475)	—
	265	116,764

9. INVESTMENTS IN JOINT VENTURES

9.1 Details of material joint ventures

Details of the Corporation's material joint ventures at the end of the reporting periods are as follows:

Name of joint venture	Principal activity	Place of creation and principal place of operation	Proportion of ownership interest and voting rights held by the Corporation	
			December 31, 2016	December 31, 2015
Umbata Falls, L.P.	Own and operate an hydroelectric facility	Ontario	49%	49%
Viger-Denonville, L.P.	Own and operate a wind farm	Québec	50%	50%

The joint ventures are accounted for using the equity method in these consolidated financial statements.

The summarized financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with IFRSs.

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(in thousands of Canadian dollars, except as noted, and amounts per share)

Umbata Falls, L.P.

Summary Statements of Earnings and Comprehensive Income

	Year ended December 31	
	2016	2015
Revenues	9,429	9,854
Operating, general and administrative expenses	938	846
	8,491	9,008
Finance costs	2,507	2,559
Other net revenues	(31)	(32)
Depreciation and amortization	4,017	4,019
Unrealized net (gain) loss on derivative financial instruments	(526)	1,217
Net earnings and comprehensive income	2,524	1,245

Summary Statements of Financial Position

As at	December 31, 2016	December 31, 2015
Cash and cash equivalents	1,010	831
Other current assets	1,080	1,392
Current assets	2,090	2,223
Non-current assets	64,647	68,467
	66,737	70,690
Accounts payable and other payables	138	134
Other current liabilities	2,895	2,928
Current liabilities	3,033	3,062
Non-current liabilities	46,173	48,852
Partner's equity	17,531	18,776
	66,737	70,690

Reconciliation of the above summarized financial information to the carrying amount of the interest in the joint venture recognized in the consolidated financial statements:

As at	December 31, 2016	December 31, 2015
Net assets of the joint venture	17,531	18,776
Proportion of the Corporation's ownership interest in the joint venture	49%	49%
Carrying amount of the Corporation's interest in the joint venture	8,590	9,200

Umbata Falls, L.P.'s Debt

On March 30, 2015, the long-term debt was refinanced. The loan consisting of a five-year term loan has been extended to March 2020. The loan is amortized over a remaining 18.5-year period which started in April 2015. The loan bears interest at the bankers' acceptance rate plus an applicable credit margin for an all-in rate of 5.48%. The quarterly repayments will be increased by a cash flow sweep calculated as follow: the percentage of excess of actual production over the forecast production multiply by the quarterly excess cash flow.

The lender also agreed to make available a letter of credit facility in a principal amount not exceeding \$500. As at December 31, 2016, an amount of \$470 has been used to secure two letters of credit. This debt is secured by all of Umbata Falls LP's assets with a carrying value of \$66,737.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars, except as noted, and amounts per share)

Umbata Falls, L.P. holds an amortizing interest rate swap contract of \$43,005 as at December 31, 2016 (\$44,303 in 2015), maturing in 2034 and bearing an interest rate of 3.98%.

Viger-Denonville, L.P.

Summary Statements of Earnings and Comprehensive Income

	Year ended December 31	
	2016	2015
Revenues	10,293	11,978
Operating, general and administrative expenses	1,844	1,923
	8,449	10,055
Finance costs	3,635	3,636
Other net revenues	(30)	(45)
Depreciation and amortization	2,923	2,921
Unrealized net (gain) loss on derivative financial instruments	(658)	1,639
Net earnings	2,579	1,904
Other comprehensive income	2	127
Total comprehensive income	2,581	2,031

Summary Statements of Financial Position

As at	December 31, 2016	December 31, 2015
Cash and cash equivalents	840	1,460
Other current assets	1,409	966
Current assets	2,249	2,426
Non-current assets	56,583	59,518
	58,832	61,944
Accounts payable and other payables	446	572
Other current liabilities	3,929	3,928
Current liabilities	4,375	4,500
Non-current liabilities	54,223	57,191
Partner's equity	234	253
	58,832	61,944

Reconciliation of the above summarized financial information to the carrying amount of the interest in the joint venture recognized in the consolidated financial statements:

As at	December 31, 2016	December 31, 2015
Net assets of the joint venture	234	253
Proportion of the Corporation's ownership interest in the joint venture	50%	50%
Carrying amount of the Corporation's interest in the joint venture	117	127

Viger-Denonville, L.P. 's Debt

The loan consists of a 18-year term loan, amortized over an 18-year period which started in June 2014. The term loan carries a floating interest rate equal to the banker's acceptance rate plus an applicable margin for an all-in rate of 6.00%. The principal repayments are variable and set to \$2,709 for 2017. The lenders also agreed to make available a letter of credit facility in an amount not to exceed \$984. As at December 31, 2016, an amount of \$984 has been

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars, except as noted, and amounts per share)

used to secure one letter of credit. These loans are secured by Viger-Denonville, L.P.'s assets with a carrying value of \$58,832.

Viger-Denonville, L.P. holds an amortizing interest rate swap contract of \$51,847 as at December 31, 2016 (\$54,285 in 2015), maturing in 2031 and bearing an interest rate of 3.40%.

9.2 Commitments of joint ventures

As at December 31, 2016, the Corporation's share of the expected schedule of commitment payments for Umbata Falls, L.P. and Viger-Denonville, L.P. is as follows:

Years of	Hydroelectric Generation	Wind Power Generation	Total
2017	2	240	242
2018	2	243	245
2019	2	246	248
2020	2	249	251
2021	2	252	254
Thereafter	40	2,606	2,646
Total	50	3,836	3,886

Umbata Falls, L.P.

The partnership will be dissolved in 2034, which is 25 years after the beginning of operations. Upon the dissolution of the partnership, the property and assets of the partnership shall be transferred to the other partner for no consideration.

Viger-Denonville, L.P.

Parc Eolien Communautaire Viger-Denonville LP entered into royalties and other commitments related to amounts to set aside for the dismantling of wind farm components, commitments to surrounding municipalities and land owners and the operation of the wind farms.

10. DERIVATIVE FINANCIAL INSTRUMENTS

The Corporation holds interest rate swap contracts ("Interest hedging instruments") that enable it to hedge its exposure to the floating interest rates payable on the portion of its long-term debt. The Corporation also holds foreign exchange forwards contracts ("foreign exchange forward") that enable it to hedge its exposure to foreign exchange rate on its investments in France. The counterparties to the contracts are major financial institutions; the Corporation does not anticipate any payment defaults on their part. The estimated impact of an increase in swap rates curve of 0.1% would decrease the negative fair value of these financial instruments by \$3,852. Conversely, a decrease in swap rates curve of 0.1% would result in an increase of \$4,148 of the negative fair value of these financial instruments. The estimated impact of an increase in foreign exchange rates curve of 1.0% would increase the negative fair value of these financial instruments by \$1,295. Conversely, a decrease in foreign exchange rates curve of 1.0% would result in a positive fair value of \$1,295 of these financial instruments.

The Corporation records embedded derivatives separately from the host contracts:

- The inflation embedded derivative relates to provisions establishing minimum inflation rate at 3% of the selling prices provided for under some of the PPAs entered into with Hydro-Québec. The Corporation does not anticipate any payment defaults from the counterparty. The fair value of these financial instruments is evaluated using revenue estimates based on long-term production averages estimated for each facility. It varies based on the difference between the 3% minimum inflation rate and the long-term inflation rate, which is estimated at 2% as at December 31, 2016 over the remaining terms of these agreements, discounted at a rate of 2,83%. The expected impact of a 0.1% increase in the long-term inflation rate would reduce the fair value of these financial instruments by \$268 a 0.1% decrease in the long-term inflation rate would increase the fair value of these financial instruments by \$267.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars, except as noted, and amounts per share)

- The foreign exchange embedded derivative adjusted the price of an equipment purchase for exchange rate fluctuations between the Euro and the Canadian dollar. The equipment purchase price varied based on the change in the exchange rate. This embedded derivative was economically hedged with a foreign exchange forward contract with the same notional amount. Gains or losses on the embedded derivative caused by a change in the exchange rate between the Euro and the Canadian dollar were offset by gains or losses associated with the foreign exchange forward contract. During the year 2015, the Corporation terminated its \$78,400 foreign exchange forward contract related to the Mesgi'g Ugiu's'n project for a total cash consideration of \$3,246. Concurrently, the Corporation fixed the rate of the Euro portion of its turbine supply agreement, therefore realizing a gain of \$3,422.

The classification of the fair value hierarchy of all the financial assets and liabilities remained the same during 2016.

Financial assets (liabilities)	Foreign exchange forwards (Level 2)	Interests hedging instruments (Level 2)	Inflation provisions (Level 3)	Total
As at January 1, 2016	—	(71,685)	3,977	(67,708)
Derivatives acquired on business acquisition (Note 5)	—	(377)	—	(377)
Variation in fair value of derivative financial instruments recognized in statement of earnings ¹	(39)	8,904	(1,270)	7,595
Variation in fair value of derivative financial instruments recognized in other comprehensive income	31	352	—	383
Net foreign exchange differences	—	16	—	16
As at December 31, 2016	(8)	(62,790)	2,707	(60,091)

1. On the statement of earnings, a loss of \$3,303 is also recognized in unrealized net (gain) loss on financial instruments, resulting from an intragroup loan. On consolidation, although the intragroup loan is eliminated from the consolidated statement of financial position, the related exchange loss recognized in the consolidated statement of earnings survives the consolidation process.

Financial assets (liabilities)	Foreign exchange embedded derivative (Level 3)	Foreign exchange forwards (Level 2)	Interests hedging instruments (Level 2)	Inflation provisions (Level 3)	Total
As at January 1, 2015	1,542	(1,228)	(151,535)	5,373	(145,848)
Variation in fair value of derivative financial instruments	2,427	(2,018)	(37,202)	(1,396)	(38,189)
Settlements	(3,422)	3,246	119,733	—	119,557
Recognized in consolidated statement of earnings	(995)	1,228	82,531	(1,396)	81,368
Recognized in project development costs	(547)	—	—	—	(547)
Variation in fair value of derivative financial instruments recognized in other comprehensive income	—	—	(2,681)	—	(2,681)
As at December 31, 2015	—	—	(71,685)	3,977	(67,708)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars, except as noted, and amounts per share)

Reported in the consolidated financial statements:

As at	December 31, 2016	December 31, 2015
Current assets – derivative financial instruments	1,527	1,209
Non-current assets – derivative financial instruments	8,117	2,768
Current liabilities – derivative financial instruments	(14,541)	(15,337)
Non-current liabilities – derivative financial instruments	(55,194)	(56,348)
	(60,091)	(67,708)

Interest rate risk

The terms of the contracts reducing the Corporation's risk of interest rate fluctuations are as follows:

Contracts	Maturity	Early termination option	Notional Amounts	
			December 31, 2016	December 31, 2015
Contracts used to hedge the interest rate risk				
Interest rate swap, 4.27%	2016	None	—	3,000
Interest rate swap, 0.96%	2017	None	49,250	49,250
Interest rate swaps, 4.27% to 4.41%	2018	None	82,600	82,600
Interest rate swaps, 2.33%	2024	2019	20,000	20,000
Interest rate swaps, 2.30%	2024	2019	20,000	20,000
Interest rate swap, 1.91%, amortizing	2026	None	103,000	103,000
Interest rate swaps, 2.94% to 4.83%, amortizing	2026	None	42,781	46,342
Interest rate swaps, from 3.35% to 3.50%, amortizing	2027	None	32,524	35,080
Interest rate swap, 3.74%, amortizing	2030	None	84,532	89,113
Interest rate swap, 4.22%, amortizing	2030	2021	24,534	26,063
Interest rate swap, 2.64%, amortizing, translated at CAD 1.4169/Euro	2030	None	14,736	—
Interest rate swap, 4.25%, amortizing	2031	2018	38,771	41,146
Interest rate swap, 4.61%, amortizing	2035	2025	95,292	97,957
Interest rate swap, 2.85%, amortizing	2041	2021	18,704	19,018
			626,724	632,569

The Corporation entered into hedge agreements to mitigate the risk of fluctuations in the interest rates on its long-term debt. Rates on contracts represent the interest rate, excluding the applicable margin on the debt.

One of the French wind farms acquired in 2016 holds an interest rate swap to mitigate the risk of fluctuations in the interest rates of its long-term debt. Hedge accounting is applied on this contract.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars, except as noted, and amounts per share)

Foreign exchange risk

Following the acquisitions of the wind farms in France, the Corporation entered into hedge agreements to reduce the Corporation's foreign exchange risk.

Contracts	Maturity	Early termination option	Notional Amounts	
			December 31, 2016	December 31, 2015
Contracts used to hedge the foreign exchange risk				
Foreign exchange forwards amortizing until 2041, allowing translation at a fixed rate of CAD 1.7575/Euro	2018	None	164,375	—
Foreign exchange forwards amortizing until 2042, allowing translation at a fixed rate of CAD 1.7588/Euro	2018	None	52,156	—
			216,531	—

A portion of the Libor advances of US\$13,900 (\$18,663) drawn on the revolving credit facility available until 2020, is used as a hedge on the investment in self-sustaining foreign subsidiaries.

Hedging instruments

As at December 31, 2016, the following items were designated as cash-flow hedging instruments to mitigate the interest rate risk and the foreign exchange risk:

	Notional amount of the hedging instrument	Carrying amount of the hedging instrument		Cumulative changes in fair value used for calculating hedge ineffectiveness
		Assets	Liabilities	
Cash-flow hedges:				
Interest rate risk				
Interest rate swaps	621,802	—	(62,791)	(2,331)
Net investment hedges:				
Foreign exchange risk				
Libor advances	11,730	—	11,730	1,542
Foreign exchange forwards	11,919	439	(445)	114

All the hedging instruments are accounted for in the short-term or long-term portion of derivative financial instruments in the consolidated statements of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars, except as noted, and amounts per share)

The following table summarizes the Corporation's hedged items as at December 31, 2016:

	Cumulative changes in fair value used for calculating hedge ineffectiveness	Cash flow hedge reserve	Foreign currency translation reserve
Cash-flow hedge:			
Interest rate risk			
Interest rate swaps	2,660	(2,673)	—
Hedge of net investment in a foreign operation:			
Foreign exchange risk			
Libor advances	(1,542)	—	1,542
Foreign exchange forwards	(92)	(101)	90

1. The balance of cash flow hedge reserve for which hedge accounting is no longer applied is nil.

The following table summarizes the impact of hedge ineffectiveness and hedging gains or losses as at December 31, 2016:

	Changes in fair value of the hedging instrument recognized in other comprehensive income	Hedge ineffectiveness recognized in profit or loss	Amount reclassified from the cash flow hedge reserve to profit or loss	Amount reclassified from the foreign currency translation reserve to profit or loss	Line item affected in profit or loss resulting from the reclassification
Cash-flow hedge:					
Interest rate risk					
Interest rate swaps	352	(377)	—	—	—
Hedge of net investment in a foreign operation:					
Foreign exchange risk					
Libor advances	274	—	—	—	—
Foreign exchange forwards	31	24	43	—	—

Ineffectiveness is accounted for in the unrealized net loss (gain) on derivative financial instruments in the consolidated statements of earnings.

Hedging ineffectiveness can result from the credit valuation adjustment applied to the fair value of hedging derivatives as well as the designation of hedging derivatives with a non-zero fair value at the inception of a hedging relationship

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars, except as noted, and amounts per share)

11. INCOME TAXES

a. Income tax recognized in statements of earnings

	December 31, 2016	December 31, 2015
Current tax		
Current tax expense in respect of the current year	2,966	3,194
Adjustments recognized in the current year in relation to the current tax expense of prior years	4	(72)
	2,970	3,122
Deferred tax		
Deferred tax expense (recovery) recognized in the current year	7,452	(15,383)
(Decrease) increase in deferred income tax rates	(4,181)	58
Adjustments recognized in the current year in relation to the deferred tax of prior years	(1,305)	163
	1,966	(15,162)
Total income tax expense (recovery of) recognized in the current year	4,936	(12,040)

The following table summarizes the reconciliation of the income tax expense (recovery) calculated at the Canadian statutory income tax rate and the income tax expense (recovery) recognized in statements of earnings.

	December 31, 2016	December 31, 2015
Earnings (loss) before income taxes	36,979	(60,423)
Canadian statutory income tax rate	26.6%	26.6%
Income tax expense (recovery of) calculated at the statutory rate	9,836	(16,073)
Items affecting the statutory rate:		
Non-deductible expenses	1,266	63
Effect of previously unrecognized tax losses balances used in the year	(286)	(259)
(Loss deductible) income taxable at a different rate than the Canadian statutory tax rate	(1,059)	394
(Decrease) increase in deferred income tax rates	(4,181)	58
Increase in taxable temporary differences in relation to investments in subsidiaries and in joint ventures	1,369	1,560
Tax on dividends on preferred shares	192	211
Adjustments recognized in the current year in relation to the current tax of prior years	4	(72)
Adjustments recognized in the current year in relation to the deferred tax of prior years	(1,305)	163
Income tax on (earnings) loss allocated to minority interests on non-taxable entities	(761)	1,933
Others	(139)	(18)
Income tax expense (recovery) recognized in statements of earnings	4,936	(12,040)

The tax rate used for 2016 and 2015 reconciliations above is the average combined corporate tax rate payable by corporate entities in Canada on taxable profits under federal and provincials' tax laws. There was no change in Canadian corporate tax rates in 2016. The decrease in Quebec tax rates is applicable for 2017 and the following years. A new tax regulation was adopted in France in December 2016, according to which, starting in 2017, the regular corporate tax rate is gradually declining.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars, except as noted, and amounts per share)

b. Income tax recognized in other comprehensive income

	December 31, 2016	December 31, 2015
Deferred tax		
Arising on income and expenses recognized in other comprehensive income:		
Foreign exchange (loss) gain on translation of self-sustaining foreign subsidiaries	(91)	223
Foreign exchange gain (loss) on the designated hedges on the investments in self-sustaining foreign subsidiaries	17	(212)
Change in fair value of hedging instruments	74	(590)
Share of change in fair value of hedging instruments of joint venture	—	16
Share of non-controlling interests in change in fair value of hedging instruments	(14)	18
Total income tax recognized directly in other comprehensive income	(14)	(545)

c. Income tax recognized directly in equity

	December 31, 2016	December 31, 2015
Deferred tax		
Arising on transactions with owners:		
Equity portion of convertible debentures	—	171
Total income tax recognized directly in equity	—	171

d. Current tax assets and liabilities

	December 31, 2016	December 31, 2015
Current tax assets		
Income tax receivable	—	4
Current tax liabilities		
Income tax payable	1,292	1,234

e. Deferred tax balances

The following is the analysis of deferred tax assets (liabilities) presented in the consolidated statements of financial position:

	December 31, 2016	December 31, 2015
Deferred tax assets	11,849	15,356
Deferred tax liabilities	(176,965)	(147,931)
	(165,116)	(132,575)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars, except as noted, and amounts per share)

	As at January 1, 2016	Recognized in statement of earnings	Recognized in other comprehensive income	Recognized in business acquisitions	Net exchange differences	As at December 31, 2016
Deferred tax assets (liabilities) in relation to:						
Property, plant and equipment	(122,327)	(15,449)	—	(22,511)	620	(159,667)
Intangible assets	(95,119)	11,364	—	(32,734)	1,028	(115,461)
Project development costs	10,717	4,275	—	—	—	14,992
Investments into subsidiaries and in joint ventures	(3,886)	105	117	—	—	(3,664)
Non-repatriated income from foreign subsidiaries	(1,046)	(179)	—	—	—	(1,225)
Derivative financial instruments	55,734	(2,251)	(60)	129	(3)	53,549
Long-term debt	(4,230)	(449)	—	352	—	(4,327)
Convertible debentures	(525)	39	—	—	—	(486)
Other liabilities	540	20	—	—	—	560
Financing fees	(2,692)	(1,576)	—	—	—	(4,268)
Share-based payment	1,020	185	—	—	—	1,205
	(161,814)	(3,916)	57	(54,764)	1,645	(218,792)
Tax losses carried forward	29,239	1,950	(43)	23,409	(879)	53,676
	(132,575)	(1,966)	14	(31,355)	766	(165,116)

As at December 31, 2016, the Corporation, its subsidiaries and joint ventures have non-capital losses totaling approximately \$187,000 that may be applied against future taxable income. The non-capital losses in Canada and the United-States expire gradually between 2030 and 2036. The non-capital losses in France are subject to restrictions over time but have no expiration date.

The Corporation recognized a deferred tax asset on non-capital losses because it is probable that sufficient taxable profit and taxable capital gains will be available from hydroelectric, solar and wind projects currently in operation or that will be in the near future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars, except as noted, and amounts per share)

	As at January 1, 2015	Recognized in statement of earnings	Recognized in other comprehensive income	Transfer of project development costs to property, plant and equipment	Transfer of property, plant and equipment to intangibles from subsequents adjustments (Note 5)	Recognized directly in equity	Net exchange differences	As at December 31, 2015
Deferred tax assets (liabilities) in relation to:								
Property, plant and equipment	(109,672)	(13,575)	—	(836)	1,739	—	17	(122,327)
Intangible assets	(97,575)	4,331	—	—	(1,739)	—	(136)	(95,119)
Project development costs	(9,479)	19,360	—	836	—	—	—	10,717
Investments into subsidiaries and in joint ventures	(813)	(2,834)	(239)	—	—	—	—	(3,886)
Non-repatriated income from foreign subsidiaries	(855)	(191)	—	—	—	—	—	(1,046)
Derivative financial instruments	47,492	7,670	572	—	—	—	—	55,734
Long-term debt	(4,049)	(181)	—	—	—	—	—	(4,230)
Convertible debentures	(126)	(228)	—	—	—	(171)	—	(525)
Other liabilities	581	(41)	—	—	—	—	—	540
Financing fees	(718)	(1,974)	—	—	—	—	—	(2,692)
Share-based payment	610	410	—	—	—	—	—	1,020
	(174,604)	12,747	333	—	—	(171)	(119)	(161,814)
Tax losses carried forward	26,326	2,415	212	—	—	—	286	29,239
	(148,278)	15,162	545	—	—	(171)	167	(132,575)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars, except as noted, and amounts per share)

f. Unrecognized deductible temporary differences, unused tax losses and unused tax credits

	December 31, 2016	December 31, 2015
Tax losses - revenue in nature	3,551	4,175
Tax losses- capital in nature	10,990	13,165
Transaction costs	476	2,285
	15,017	19,625

The unrecognized tax losses-revenue in nature will expire gradually between 2034 and 2035.

12. EARNINGS PER SHARE

The net earnings (loss) per share is computed as follows:

	Year ended December 31	
	2016	2015
Net earnings (loss) attributable to owners of the parent	35,963	(30,301)
Dividends declared on preferred shares	(5,942)	(7,125)
Net earnings (loss) available to common shareholders	30,021	(37,426)
Weighted average number of common shares (in 000s)	106,883	102,304
Basic net earnings (loss) per share (\$)	0.28	(0.37)
Weighted average number of common shares (in 000s)	106,883	102,304
Effect of dilutive elements on common shares (in 000s) (a)	879	283
Diluted weighted average number of common shares (in 000s)	107,762	102,587
Diluted net earnings (loss) per share (\$) (b)	0.28	(0.37)

- a. Stock options for which the exercise price was above the average market price of common shares are excluded from the calculation of diluted weighted average number of shares outstanding. During year ended December 31, 2016, 3,331,684 of the 3,457,432 stock options (2,579,684 of the 3,425,684 for the year ended December 31, 2015) were dilutive.

During the year ended December 31, 2016, none of the 6,666,667 shares that can be issued on conversion of convertible debentures were dilutive (none of the 6,666,667 shares were dilutive for the same periods in 2015).

- b. During the year ended December 31, 2015, 2,579,684 of the 3,425,684 stock options were excluded as they were anti-dilutive in the calculation of the diluted net loss per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars, except as noted, and amounts per share)

13. KEY MANAGEMENT PERSONNEL COMPENSATION

The following are the expenses that the Corporation recognized for its key management personnel. The members of the Board of Directors as well as the President and CEO, CFO, CIO and all the Senior Vice-Presidents and Vice-Presidents are key management personnel of the Corporation.

	Year ended December 31	
	2016	2015
Salaries and short-term benefits	6,024	5,409
Attendance fees for members of the Board of Directors	662	524
Performance share plan	1,610	1,416
Share-based payment	103	192
	8,399	7,541

14. EMPLOYEE BENEFITS

The expenses that the Corporation recognized for its employee benefits is composed of salaries and short-term benefits. The expenses were included in the following categories:

	Year ended December 31	
	2016	2015
Operating expenses	4,421	4,153
General and administrative	9,843	9,085
Prospective projects expenses	5,602	4,714
Transaction costs	1,304	131
Capitalized in Property, plant and equipment	3,676	5,724
Capitalized in Project development costs	—	221
	24,846	24,028

15. RESTRICTED CASH AND SHORT-TERM INVESTMENTS

As at	December 31, 2016	December 31, 2015
Restricted cash accounts	25,424	37,487
Restricted proceeds account	57,362	268,441
Debt service payment accounts	6,956	6,792
	89,742	312,720

As part of the Boulder Creek Power LP, Upper Lillooet River Power LP, Kwoiek Creek LP, Northwest Stave LP, Big Silver Creek Power LP, Tretheway Creek Power LP and Mesgig'g Ugju's'n LP credit agreements, the Corporation maintains restricted cash accounts and restricted proceeds accounts. The balance of the loans proceeds are held in restricted proceeds account managed by the lenders and amounts are transferred from time to time into the restricted cash accounts to finance the construction of the projects. The restricted cash accounts are used to pay the current construction costs of the projects and to hold the construction holdbacks amounts that will be released at the end of the construction of the respective projects.

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In relation with the six run-of-river hydroelectric facilities at Harrison Hydro L.P. (the "Harrison Operating Facilities"), the Corporation maintains debt service payment accounts. The debt service payment accounts require a monthly transfer equal to one-sixth of the next semi-annual bond payments and a monthly transfer equal to one-third of the next quarterly bond payment required on the outstanding junior bonds. Senior and junior loan payments are taken from this account on their due dates.

16. ACCOUNTS RECEIVABLE

As at	December 31, 2016	December 31, 2015
Trade	23,479	24,984
Commodity taxes	18,980	8,112
Investment tax credits	1,476	856
Payment receivable for property, plant and equipment	49,250	—
Others	5,662	3,121
	<u>98,847</u>	<u>37,073</u>

Substantially all of the Corporation's trade receivables relate to electricity sold to public utilities including Hydro-Québec, British Columbia Hydro, Hydro One Inc. and its affiliates, Idaho Power Company, Électricité de France and S.I.C.A.E Oise.

Hydro-Québec currently holds a credit rating of Aa2 from Moody's. British Columbia Hydro and Power Authority currently holds a credit rating of Aaa from Moody's. The Ministry of Energy of the Province of Ontario has stated that the Province of Ontario, which currently holds a credit rating of A+ from Standard & Poor's (S&P), will honor Hydro One Inc. and its affiliates obligations under the PPAs to which it is a party. Hydro One Inc. and its affiliates currently holds a credit rating of A from S&P. Idaho Power Company currently has a credit rating of BBB from S&P. Électricité de France currently has a credit rating of A- from S&P.

Commodity taxes and investment tax credits are receivable from the federal or provincial governments, mainly in relation with the development and construction of projects. The payment receivable for property, plant and equipment is receivable from Hydro-Québec and is related to the substation of the Mesgi'g Ugu's'n wind farm.

The Corporation did not record any allowance for doubtful accounts since, based on its experience, there is a low risk of bad debts. The Corporation does not hold any specific guarantees for its accounts receivable. All accounts receivable are current.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars, except as noted, and amounts per share)

17. RESERVE ACCOUNTS

	Hydrology / wind power reserve	Major maintenance reserve	Total
Reserves – As at January 1, 2016	39,724	3,112	42,836
Reserves acquired on business acquisitions (Note 5)	8,541	—	8,541
Net (withdrawals from) investments in the reserves	(1,701)	91	(1,610)
Impact of foreign exchange fluctuations	(253)	(25)	(278)
Reserves – end of year	46,311	3,178	49,489
Less: Current portion	—	—	—
Long-term portion	46,311	3,178	49,489

	Hydrology / wind power reserve	Major maintenance reserve	Total
Reserves – As at January 1, 2015	37,547	3,788	41,335
Net investments in (withdrawals from) the reserves	2,038	(702)	1,336
Impact of foreign exchange fluctuations	139	26	165
Reserves – end of year	39,724	3,112	42,836
Less: Current portion	(947)	(368)	(1,315)
Long-term portion	38,777	2,744	41,521

Short-term investments are held at major financial institutions. The Corporation recorded no impairment on these financial instruments since the counterparties have high credit ratings.

The availability of \$48,650 (\$40,929 in 2015) in the reserve accounts is restricted by credit agreements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars, except as noted, and amounts per share)

18. PROPERTY, PLANT AND EQUIPMENT

	Lands	Hydroelectric facilities	Wind farm facilities	Solar facility	Facilities under construction	Other equipments	Total
Cost							
As at January 1, 2016	2,623	1,427,025	372,038	124,274	531,591	9,194	2,466,745
Additions	—	1,178	522	11	368,503	1,897	372,111
Business acquisitions (Note 5)	392	1,500	218,956	—	—	8	220,856
Transfer of assets upon commissioning	—	183,556	290,479	—	(474,035)	—	—
Other changes	—	—	540	18	—	(263)	295
Net foreign exchange differences	(4)	(242)	(5,966)	—	—	(6)	(6,218)
As at December 31, 2016	3,011	1,613,017	876,569	124,303	426,059	10,830	3,053,789
Accumulated depreciation							
As at January 1, 2016	—	(164,117)	(100,307)	(21,820)	—	(6,279)	(292,523)
Depreciation	—	(30,604)	(23,642)	(5,955)	—	(1,521)	(61,722)
Other changes	—	—	5	—	—	263	268
Net foreign exchange differences	—	88	113	—	—	(6)	195
As at December 31, 2016	—	(194,633)	(123,831)	(27,775)	—	(7,543)	(353,782)
Carrying amount as at December 31, 2016	3,011	1,418,384	752,738	96,528	426,059	3,287	2,700,007

All of the property, plant and equipment are given as securities under the respective project financing or for corporate financing.

Additions in the current year include \$38,756 of capitalized financing costs (\$30,341 for the year ended December 31, 2015) incurred prior to their intended use.

The financing costs related to a specific project financing are entirely capitalized to the specific property, plant and equipment. Financing costs related to the revolving credit facility are capitalized for the portion of the financing actually used for a specific property, plant and equipment.

The cost of the facilities were reduced by investment tax credits of \$3,003 (\$2,622 as at December 31, 2015).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars, except as noted, and amounts per share)

	Lands	Hydroelectric facilities	Wind farm facilities	Solar facility	Facilities under construction	Other equipments	Total
Cost							
As at January 1, 2015	2,541	1,340,129	372,106	124,244	287,401	8,367	2,134,788
Additions	62	3,707	782	68	299,105	828	304,552
Adjustment to business acquisition	—	(6,591)	—	—	—	—	(6,591)
Transfer of assets upon commissioning	—	89,084	—	—	(89,084)	—	—
Transfer from projects under development	—	—	—	—	34,169	21	34,190
Dispositions	—	(613)	—	—	—	(49)	(662)
Other changes	—	—	(850)	(38)	—	—	(888)
Net foreign exchange differences	20	1,309	—	—	—	27	1,356
As at December 31, 2015	2,623	1,427,025	372,038	124,274	531,591	9,194	2,466,745
Accumulated depreciation							
As at January 1, 2015	—	(135,670)	(82,528)	(15,866)	—	(4,935)	(238,999)
Depreciation	—	(28,164)	(17,779)	(5,954)	—	(1,364)	(53,261)
Dispositions	—	137	—	—	—	43	180
Net foreign exchange differences	—	(420)	—	—	—	(23)	(443)
As at December 31, 2015	—	(164,117)	(100,307)	(21,820)	—	(6,279)	(292,523)
Carrying amount as at December 31, 2015	2,623	1,262,908	271,731	102,454	531,591	2,915	2,174,222

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars, except as noted, and amounts per share)

19. INTANGIBLE ASSETS

	Hydroelectric facilities	Wind farm facilities	Solar facility	Facilities under construction	Total
Cost					
As at January 1, 2016	517,089	75,816	9,538	23,240	625,683
Business acquisitions (Note 5)	8,078	95,977	—	—	104,055
Transfer of assets upon commissioning	23,240	—	—	(23,240)	—
Other changes	(3,111)	(3,365)	—	—	(6,476)
Net foreign exchange	(81)	(2,939)	—	—	(3,020)
As at December 31, 2016	545,215	165,489	9,538	—	720,242
Accumulated amortization					
As at January 1, 2016	(122,542)	(29,045)	(1,729)	(96)	(153,412)
Amortization	(18,232)	(9,968)	(477)	96	(28,581)
Other changes	3,111	3,365	—	—	6,476
Net foreign exchange	34	106	—	—	140
As at December 31, 2016	(137,629)	(35,542)	(2,206)	—	(175,377)
Net value as at December 31, 2016	407,586	129,947	7,332	—	544,865

	Hydroelectric facilities	Wind farm facilities	Solar facility	Facilities under construction	Total
Cost					
As at January 1, 2015	497,620	75,816	9,538	35,351	618,325
Additions	325	—	—	—	325
Adjustment to business acquisition	6,591	—	—	—	6,591
Transfer of assets upon commissioning	12,111	—	—	(12,111)	—
Net foreign exchange	442	—	—	—	442
As at December 31, 2015	517,089	75,816	9,538	23,240	625,683
Accumulated amortization					
As at January 1, 2015	(106,095)	(23,570)	(1,252)	(96)	(131,013)
Amortization	(16,265)	(5,475)	(477)	—	(22,217)
Net foreign exchange	(182)	—	—	—	(182)
As at December 31, 2015	(122,542)	(29,045)	(1,729)	(96)	(153,412)
Net value as at December 31, 2015	394,547	46,771	7,809	23,144	472,271

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars, except as noted, and amounts per share)

20. PROJECT DEVELOPMENT COSTS

	December 31, 2016	December 31, 2015
Cost		
Beginning of year	—	61,020
Additions	—	24,889
Transfer to property, plant and equipment	—	(34,190)
Impairment of project development costs	—	(51,719)
End of year	—	—

For the year ended December 31, 2015, the Corporation conducted annual project development costs impairment tests. Based on the results of these tests, a \$51,719 impairment charge was required in 2015 for projects for which uncertainties existed regarding the timing and profitability of any development.

The recoverable amount of the project development costs is determined based on the basis of a value-in-use calculation that uses cash flow projections based on the financial budgets for comparable projects. The projections are approved by management, cover a period of 40 to 75 years and assume a pre-tax discount rate.

The following assumptions are used to determine the recoverable amount of assets:

- The discount rate is a weighted average between the consolidated cost of debt and the consolidated cost of equity to which a risk premium is added for each project.
- A cash-generating unit is an individual hydroelectric facility.
- The future expected cash flows are based on the comparable projects budgets for each cash-generating unit. The budgets have been built using long-term water flow averages. These averages approximate actual results.
- The number of projects and the time frames for the projects to be developed.

In 2011, full ownership of hydroelectric projects in British Columbia in various stages of development (with a potential aggregate installed capacity of over 800 MW) resulted from the acquisition of Cloudworks Energy Inc. Accordingly, an amount of \$51,719 for Prospective Projects was recorded following the acquisition. However, as at December 31, 2015, BC Hydro's Site C (a mega hydroelectric station that should provide around 1,100 MW of capacity, and produce about 5,100 GWh of electricity a year) is moving forward. Construction of the project started in summer 2015. Furthermore, in September 2015, the BC Supreme Court dismissed a petition seeking an order quashing the Environmental Assessment Certificate issued by the Minister of the Environment and the Minister of Forests, Lands and Natural Resource Operations for the project. In November 2015, BC Hydro and the BC Government announced the awarding of a \$1.5 Billion construction contract for Site C. The odds of success on litigation led by First Nations and various environmental groups against Site C are fairly remote as construction activities are in progress. BC Hydro publicly announced that based on their forecasts, it would likely be the early 2030s before the utility foresees the need for a significant block of new electricity from Independent Power Producers. Consequently, in the year ended December 31, 2015, the Corporation recognized an impairment of \$51,719 related to its BC Prospective Projects for which it retains ownership of the licenses that it might develop in the future. Simultaneously, the contingent considerations related to these Prospective Projects were reversed resulting in a gain of \$3,447.

Additions in the year 2015 include \$204 of capitalized interests.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars, except as noted, and amounts per share)

21. GOODWILL

Allocation of goodwill to each cash-generating unit is as follows:

As at	December 31, 2016	December 31, 2015
St-Paulin	935	935
Portneuf	4,166	4,166
Chaudière	3,168	3,168
Total Goodwill	8,269	8,269

For the years ended December 31, 2016 and 2015, the Corporation conducted annual goodwill impairment tests. Based on the result of these tests, no impairment charge was required.

The recoverable amount of each cash-generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a period extending to the lesser of 50 years or the period for which the Corporation owns its rights on the site and a discount rate of 5.37% (5.51% in 2015).

Assumptions used to determine the recoverable amount of assets are the following:

- The discount rate is a weighted average between the consolidated cost of debt and the consolidated cost of equity to which a risk premium is added for each cash-generating unit.
- The expected selling price of electricity once the power purchase agreements are renewed.
- A cash-generating unit is an individual hydroelectric facility.
- The future expected cash flows are based on the budgets before debt service and income tax of each cash-generating unit. The budgets have been built using long-term averages of water flows. These long-term averages approximate actual results.

22. ACCOUNTS PAYABLE AND OTHER PAYABLES

As at	December 31, 2016	December 31, 2015
Trade and other payables	51,360	53,175
Current portion of construction holdbacks	22,259	32,415
Interest payable	10,754	7,941
Commodity taxes	1,477	1,935
	85,850	95,466

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars, except as noted, and amounts per share)

23. LONG-TERM DEBT

(references to US\$ and € are in thousands)

	Interests rate 2016	Maturity	December 31, 2016	December 31, 2015
Revolving credit facility (with recourse to the Corporation) including LIBOR advances, US\$13,900				
a) Innergex	2.16%-2.26 %	2020	189,163	149,138
Loans (Non-recourse to the Corporation)				
b) Hydro-Windsor	8.25%	2016	—	1,015
c) Magpie	2.33%-4.59%	2017	601	1,285
d) Cholletz (€ 750)	1.90%	2017	1,063	—
e) Mesgi'g Ugiu's'n	2.41%	2017	40,588	—
f) Montjean (€ 1,126)	1.50%	2017	1,596	—
g) Theil Rabier (€ 1,234)	1.50%	2017	1,749	—
h) Montagne-Sèche	2.69%	2021	24,534	26,063
i) Rutherford Creek	6.88%	2024	35,845	39,378
j) Valottes (€ 12,285)	1.80%-2.69%	2024-2026	17,407	—
k) Ashlu Creek	2.52%	2025	91,989	95,062
l) Sainte-Marguerite	3.30%	2025	29,072	32,598
m) Antoigné (€ 6,429)	2.67%	2025	9,109	—
n) Longueval (€ 7,522)	1.72%-1.86%	2025	10,658	—
o) Porcien (€ 7,744)	1.67%-1.86%	2025	10,973	—
p) Bois d'Anchat (€ 10,502)	2.25%-3.20%	2025-2030	14,880	—
c) Magpie	4.37%-4.59%	2025-2031	54,703	57,263
q) L'Anse-à-Valleau	2.14%	2026	33,327	36,091
r) Fitzsimmons Creek	1.65%	2026	20,651	21,051
f) Montjean (€ 15,792)	1.46%-1.85%	2026-2031	22,375	—
g) Theil Rabier (€ 16,083)	1.46%-1.84%	2026-2031	22,788	—
s) Carleton	3.10%	2027	42,346	45,758
t) Beaumont (€ 24,418)	2.16%-2.63%	2027-2031	34,598	—
u) Stardale	2.57%	2030	102,946	96,862
d) Cholletz (€ 10,400)	2.23%	2030	14,736	—
v) Innergex Europe	8.00%	2046	38,189	—
w) Harrison Operating Facilities	3.95%-6.61%	2049	456,060	458,754
x) Kwoiek Creek	5.08%-10.07%	2052-2054	172,162	172,162
y) Northwest Stave River	5.30%	2053	71,972	71,972
z) Tretheway Creek	4.99%	2055	92,916	92,916
l) Sainte-Marguerite	8.00%	2064	42,401	42,401
e) Mesgi'g Ugiu's'n	3.54%-4.28%		244,343	159,459
aa) Big Silver Creek	4.57%-4.76%		197,223	197,223
bb) Boulder Creek and Upper Lillooet	4.22%-4.46%		491,643	445,733
Other loans with various interest rates		2017-2019	13	134
			2,445,456	2,093,180

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars, except as noted, and amounts per share)

23. LONG-TERM DEBT (continued)

	Interests rate 2016	Maturity	December 31, 2016	December 31, 2015
Total long-term debt			2,634,619	2,242,318
Deferred financing costs			(27,986)	(26,885)
			2,606,633	2,215,433
Current portion of long-term debt (net of nil deferred financing costs in 2016, \$29 in 2015)			(99,397)	(54,995)
Long-term portion			2,507,236	2,160,438

a. Revolving credit facility

The Corporation has a maximum borrowing capacity of \$425,000 on its revolving credit facility. On January 18, 2016, the Corporation executed an amending agreement to extend its revolving credit facility from 2019 to 2020.

As at December 31, 2016, the Bankers' Acceptances ("BA") rate advances and prime rate advances totaling \$170,500 along with a LIBOR rate advance of \$18,663 (US\$13,900) were due under this facility. An amount of \$50,524 has been used to secure letters of credit. Thus, the unused and available position of the facility was \$185,313. The carrying value of assets of the Corporation and subsidiaries given as securities under this facility totals approximately \$466,000.

The revolving credit facility was renegotiated on February 21, 2017, see subsequent events section.

b. Hydro-Windsor

The loan consisted of a 20-year fixed rate term loan starting in December 1996 and amortized over a 20-year period ended in December 2016. The loan was repayable in monthly blended payments of principal and interest totaling \$105.

c. Magpie

A fixed rate bridge loan is amortized until August 2017. The bridge loan is repayable in monthly blended payments of principal and interest totaling \$27. The principal repayments for the bridge loan are set at \$215 for 2017.

A debenture is amortized until December 2017. The debenture is repayable by yearly blended payments of principal and interest totaling \$400, excluding non-cash implicit interest of \$18. The principal repayment for 2017 is set at \$400.

A convertible debenture has no predetermined repayment schedule and matures in January 2025. The convertible debenture entitles the municipality to a 30% interest in the facility upon conversion of the debenture on or before January 1, 2025. Early conversion is at the discretion of the Corporation.

A term loan amortizing until 2031 is repayable in monthly blended payments of principal and interest totaling \$379. The principal repayments for the term loan are variable and are set at \$1,808 for 2017.

The bridge loan and the term loan are secured by the assets of Magpie L.P. with a carrying value of approximately \$96,300.

d. Cholletz

As part of the Seven French Entities Acquired, the Corporation assumed two loan facilities for a total value of €11,900.

- A €1,500 loan bearing interest at 1.9%, repayable in quarterly installments and maturing in 2017. The principal repayments are set to €750 for the 2017.
- A €10,400 loan bearing interest at 2.23% until 2026 and at variable rate plus an applicable margin afterwards, repayable in quarterly installments and maturing in 2030. The principal repayments are set to €78 for the 2017.

The debt is secured by the assets of Energie des Cholletz with a carrying value of approximately €21,000.

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(in thousands of Canadian dollars, except as noted, and amounts per share)

e. Mesgig'g Ugju's'n

On September 28, 2015, Mesgig'g Ugju's'n (MU) Wind Farm L.P. closed a \$311,709 non-recourse construction and term project financing for the Mesgig'g Ugju's'n wind project.

The loan comprises three facilities or tranches:

A \$49,250 floating-rate construction loan carrying a swap-fixed interest rate of 2.41%; following the start of the wind farm's commercial operation, it will be repaid with the proceeds of the scheduled reimbursement by Hydro-Québec for the Mesgig'g Ugju's'n electrical substation. As at December 31, 2016, an amount of \$40,588 had been drawn from this tranche;

- A \$103,000 floating-rate construction loan carrying a swap-fixed interest rate of 3.54%; following the start of the wind farm's commercial operation, it will convert into a 9.5-year term loan and the principal will be amortized over the term of the loan. As at December 31, 2016, an amount of \$84,884 had been drawn from this tranche;
- A \$159,459 construction loan carrying a fixed interest rate of 4.28%; following the start of the wind farm's commercial operation, it will convert into a 19.5-year term loan and the principal will begin to be amortized after the maturity of the 9.5-year term loan. As at December 31, 2016, this tranche was fully used.

The lenders also agreed to make available a credit facility in an amount not to exceed \$51,284. As at December 31, 2016, an amount of \$42,767 had been used to secure two letters of credit. This debt is secured by the assets of Mesgig'g Ugju's'n (MU) Wind Farm L.P. with a carrying value of approximately \$353,400.

f. Montjean

As part of the Two French Entities Acquired in Nouvelle-Aquitaine, the Corporation assumed the related loan facilities for a total value of €23,897.

- A €1,126 loan bearing a variable interest rate at EURIBOR +1.5% and fully repayable by June 2017. It is a bridge financing dedicated to the consumer taxes and recoverable from the government. The unused and available position of this credit facility was €2,945.
- A €12,680 loan on the credit margin bearing interest at a fixed rate of 1.25% until 2026, after which a variable rate will apply, repayable in quarterly installments and maturing in 2031. The principal repayments are set to €1,000 for 2017. The unused and available position of this credit facility was €2,320. The term loan was accounted for at its fair market value of €11,729 for an effective rate of 1.85%.
- A €4,125 loan bearing interest at a fixed rate of 1.15%, repayable in quarterly installments and maturing in 2026. The principal repayments are set to €412 for 2017. There was no unused and available position on this credit facility. The loan was accounted for at its fair market value of €4,062 for an effective rate of 1.46%.
- A credit facility of €700 was unused and available on December 31, 2016. It is dedicated to financing the main part of the debt service reserve account.

The debt is secured by the assets of Montjean Energies with a carrying value of approximately €33,700.

g. Theil Rabier

As part of the Two French Entities Acquired in Nouvelle-Aquitaine, the Corporation assumed the related loan facilities for a total value of €23,897.

- A €1,234 loan bearing a variable interest rate at EURIBOR +1.5% and fully repayable by June 2017. It is a bridge financing dedicated to the consumer taxes and recoverable from the government. The unused portion of this credit facility at year-end was €2,838.
- A €12,972 loan bearing interest at a fixed rate of 1.25% until 2026, after which a variable rate will apply until maturity, repayable in quarterly installments and maturing in 2031. The principal repayments are set to €1,000 for 2017. The unused portion of this credit facility at year-end was €2,028. The loan was accounted for at its fair market value of €12,021 for an effective rate of 1.84%.
- A €4,125 loan bearing interest at a fixed rate of 1.15%, repayable in quarterly installments and maturing in 2026. The principal repayments are set to €412 for 2017. There was no unused and available position on this credit facility. The loan was accounted for at its fair market value of €4,062 for an effective rate of 1.46%.
- A credit facility of €700 was unused and available on December 31, 2016. It is dedicated to financing the main part of the debt service reserve account.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars, except as noted, and amounts per share)

The debt is secured by the assets of Theil Rabier Energies with a carrying value of approximately €35,000.

h. Montagne-Sèche

In May 2014, the Corporation renegotiated the loan to extend the maturity to June 2021. The loan consists of a 7-year term loan, amortized over a 16-year period starting in May 2014. The loan bears interest at the BA rate plus an applicable margin. The principal repayments are variable and set at \$1,174 for 2017. As at December 31, 2016, the all-in effective interest rate was 5.97% (5.97% in 2015) after accounting for the interest rate swap.

The lenders also agreed to make available a letter of credit facility in an amount not to exceed \$445. As at December 31, 2016, an amount of \$267 has been used to secure one letter of credit. The loan is secured by the assets of Innergex Montagne-Sèche, L.P. with a carrying value of approximately \$34,000.

i. Rutherford Creek

The loan consists of a 20-year fixed rate term loan starting in July 2004 amortized over a 12-year period effective July 1, 2012. This debt is repayable by monthly blended payments of principal and interest totaling \$511. The principal repayments are variable and are set at \$3,784 for 2017. The loan is secured by the assets of Rutherford Creek Power Limited Partnership, with a carrying value of approximately \$77,100.

j. Valottes

As part of the Seven French Entities Acquired, the Corporation assumed two loan facilities for a total value of €12,022.

- A €4,749 loan bearing interest at 2.69%, repayable in quarterly installments and maturing in 2024. The principal repayments are set to €416 for 2017.
- A €7,273 loan bearing interest at 5.34%, repayable in quarterly installments and maturing in 2026. The principal repayments are set to €727 for 2017. The term loan was accounted for at its fair market value of €8,502 for an effective rate of 1.80%.

The debt is secured by the assets of Energie des Valottes with a carrying value of approximately €22,000.

k. Ashlu Creek

The loan consists of a 15-year term loan, amortized over a 25-year period starting in September 2010. The loan bears interest at the BA rate plus an applicable margin. The term loan is repayable in quarterly installments. The principal repayments are variable and are set at \$2,837 for 2017. As at December 31, 2016, the all-in effective interest rate was 6.16% (6.06% in 2015) after accounting for the interest rate swap.

The lenders also agreed to make available a letter of credit facility in an amount not to exceed \$3,000. As at December 31, 2016 an amount of \$1,411 had been used to secure one letter of credit. The loan is secured by the assets of Ashlu Creek hydroelectric facility with a carrying value of approximately \$159,000.

l. Sainte-Marguerite

As part of its acquisition in 2014, the Corporation assumed a \$30,796 term loan, bearing interest at a fixed rate of 7.40%, repayable in monthly blended payments of principal and interest totaling \$360, increasing over the years and maturing in 2025. The principal repayments for 2017 are set at \$2,928. The term loan was accounted for at its fair market value of \$37,455 for an effective rate of 3.30%. The loan is secured by the assets of Sainte-Marguerite L.P. with a carrying value of approximately \$134,900.

In 2014, a debenture was issued by Sainte-Marguerite L.P. to Desjardins Group Pension Plan for a total amount of \$42,401. This debenture carries an interest rate of 8.00%; it has no predetermined repayment schedule and matures in 2064.

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m. Antoigné

As part of the Seven French Entities Acquired, the Corporation assumed a €6,964 term loan, bearing interest at 2.67%, repayable in quarterly installments and maturing in 2025. The principal repayments are set to €714 for 2017. The loan is secured by the assets of Energie Antoigné with a carrying value of approximately €13,900.

n. Longueval

As part of the Seven French Entities Acquired, the Corporation assumed two loan facilities for a total value of €7,881.

- A €6,069 loan bearing interest at 1.86%, repayable in quarterly installments and maturing in 2025. The principal repayments are set to €639 for 2017.
- A €1,812 loan bearing interest at 5.73%, repayable in semi-annual installments and maturing in 2025. The principal repayments are set to €95 for 2017. The term loan was accounted for at its fair market value of €2,186 for an effective rate of 1.72%.

The debt is secured by the assets of Eoliennes de Longueval with a carrying value of approximately €15,300.

o. Porcien

As part of the Seven French Entities Acquired, the Corporation assumed two loan facilities for a total value of €8,116.

- A €6,069 loan bearing interest at 1.86%, repayable in quarterly installments and maturing in 2025. The principal repayments are set to €639 for 2017.
- A €2,047 loan bearing interest at 5.73%, repayable in semi-annual installments and maturing in 2025. The principal repayments are set to €139 for 2017. The term loan was accounted for at its fair market value of €2,454 for an effective rate of 1.67%.

The debt is secured by the assets of Energie du Porcien with a carrying value of approximately €15,500.

p. Bois d'Anchat

As part of the Seven French Entities Acquired, the Corporation assumed two loan facilities for a total value of €11,205.

- A €1,005 loan bearing interest at 3.20%, repayable in quarterly installments and maturing in 2025. The principal repayments are set to €38 for the 2017.
- A €10,200 loan bearing interest at 2.25%, repayable in quarterly installments and maturing in 2030. The principal repayments are set to €703 for the 2017.

The debt is secured by the assets of Société d'Exploitation du Parc Éolien du Bois d'Anchat with a carrying value of approximately €21,900.

q. L'Anse-à-Valleau

The loan consists of an 18.5-year term loan starting in December 2007 and amortized over an 18.5-year period. The loan bears interests at the BA rate plus an applicable margin. The term loan is repayable in quarterly installments. The principal repayments are variable and are set at \$2,837 for 2017. As at December 31, 2016, the all-in effective interest rate was 6.03% (6.03% in 2015) after accounting for the interest rate swap.

The lenders also agreed to make available a credit facility of \$1,200 in order to secure letters of credit. As at December 31, 2016, an amount of \$423 had been used to secure one letter of credit. The loan is secured by the assets of Innergex AAV, L.P. with a carrying value of approximately \$53,000.

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(in thousands of Canadian dollars, except as noted, and amounts per share)

r. Fitzsimmons Creek

In December 2016, the maturity of the term loan was extended to November 2026; the loan will be amortized over a remaining 25-year period starting in January 2017. The loan advances bear interest at the BA rate plus an applicable margin. The principal repayments are variable and are set at \$333 for 2017. As at December 31, 2016, the all-in effective interest rate was 3.58% (3.98% in 2015) after accounting for the interest rate swap.

The lenders also agreed to make available a letter of credit facility in an amount not to exceed \$150. As at December 31, 2016, an amount of \$50 had been used to secure one letter of credit. This debt is secured by the assets of Fitzsimmons Creek Hydro L.P. with a carrying value of approximately \$24,800.

s. Carleton

The loan consists of a 14-year term loan starting in June 2013 and amortized over a 14-year period. The term loan bears interest at the BA rate plus an applicable margin. The term loan is repayable in quarterly installments. The principal repayments are variable and are set at \$3,487 for 2017. As at December 31, 2016, the all-in effective interest rate was 5.46% (5.46% in 2015) after accounting for the interest rate swap.

This debt is secured by the assets of Innergex CAR, L.P. with a carrying value of approximately \$67,300.

t. Beaumont

As part of the Seven French Entities Acquired, the Corporation assumed three loan facilities for a total value of €25,131.

- A €3,649 loan bearing interest at 3.78%, repayable in quarterly installments and maturing in 2027. The principal repayments are set to €26 for 2017. The term loan was accounted for at its fair market value of €3,999 for an effective rate of 2.16%.
- A €982 loan bearing interest at 2.63%, repayable in quarterly installments and maturing in 2027. The principal repayments are almost nil for 2017.
- A €20,500 loan bearing interest at 2.42%, repayable in quarterly installments and maturing in 2031. The principal repayments are set to €1,390 for 2017.

The debt is secured by the assets of Eoles Beaumont S.A.S. with a carrying value of approximately €48,600.

u. Stardale

On February 22, 2016, Stardale refinanced its long-term debt to increase its borrowing by \$12,138 to a total of \$109,000. The loan bears interest at the BA rate plus an applicable credit margin. The principal repayments are variable and are set at \$6,383 for 2017. As at December 31, 2016, the all-in effective interest rate was 5.36% (5.99% in 2015) after accounting for the interest rate swap.

The lenders also agreed to make available a letter of credit facility in an amount not to exceed \$5,600. As at December 31, 2016, an amount of \$5,600 had been used to secure two letters of credit. The loan is secured by the assets of Stardale L.P. with a carrying value of approximately \$108,200.

v. Innergex Europe (2015) Limited Partnership

Following the acquisitions in France, a debenture was issued to the other partner for total proceeds of \$38,189. This debenture carries an interest rate of 8.00% compounded yearly and is payable quarterly if funds are available. The debenture will be repayable in full in 2046. The Corporation invested a total of \$87,227 in preferred units of Innergex Europe (2015) Limited Partnership which carry a preferred return rate of 8.00% compounded yearly and payable at the same time as the debenture. The preferred units are eliminated into the consolidation process.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars, except as noted, and amounts per share)

w. Harrison Operating Facilities

The Harrison Operating Facilities Senior Real Return bond bears interest at 2.96% adjusted by an inflation ratio as well as an inflation compensation interest factor. Both inflation adjustments are based on the All-items Consumer Price Index for Canada ("CPI"), which is not seasonally adjusted. Payments on this bond are due semi-annually and the bond matures in June 2049. Semi-annual payments are \$5,790 before CPI adjustment (\$6,693 including CPI adjustment in 2016). In December 2031, the payment amount decreases to \$4,481 before CPI adjustment, where it remains until maturity. For 2017, the principal repayments are set at \$6,011.

The Harrison Operating Facilities Senior Fixed Rate bond bears interest at 6.61%. Payments on this bond are due semi-annually with the bond maturing in September 2049. Semi-annual payments amount to \$8,072. In September 2031, the payment amount decreases to \$6,724, where it remains until maturity. For 2017, the principal repayments are set at \$3,463.

The Harrison Operating Facilities Junior Real Return Rate bond bears interest at 4.27% adjusted by an inflation ratio and an inflation compensation interest factor. Both inflation adjustments are based on the CPI, which is not seasonally adjusted. Payments on this bond are due quarterly and the bond matures in September 2049. Quarterly interest payments amount to \$291 before CPI adjustment (\$336 including CPI adjustment in 2016).

In June 2017, the payment amount increases to \$389 before CPI adjustment, where it remains until maturity. Principal repayment are set at \$342 for 2017. The bond is secured by the Harrison Operating Facilities.

The bonds are secured by the Harrison Operating Facilities. The carrying value of the property and assets of the Harrison Operating Facilities totals approximately \$633,400.

	Senior Real Return Bond	Senior Fixed Rate Bond	Junior Real Return Bond	Total
Balance – January 1, 2016	223,391	207,141	28,222	458,754
Inflation compensation interest	3,744	—	463	4,207
Principal repayment	(5,803)	(3,278)	—	(9,081)
Amortization of revaluation	1,313	777	90	2,180
Balance – December 31, 2016	222,645	204,640	28,775	456,060

The increase in inflation compensation interest is a result of the CPI rate change over the reference period.

x. Kwoiek Creek

The \$168,500 construction term loan bearing fixed interest rate of 5.08% was converted into a 37-year term loan in February 2015 and amortized over a 36-year period starting in January 2017. The term loan is repayable in quarterly installments. The principal repayments are variable and set at \$1,527 for 2017. The loan is secured by the assets of Kwoiek Creek Resources L.P. with a carrying value of approximately \$183,998

The Corporation's partner in the Kwoiek Creek project made a \$3,662 loan to Kwoiek Creek Resources L.P. Under the project agreements, both partners can participate in the project financing.

y. Northwest Stave River

The non-recourse construction loan was converted into a 38-year term loan in February 2015. Principal repayments do not commence until December 2020. The loan is secured by the assets of Northwest Stave River L.P. with a carrying value of approximately \$80,900.

z. Tretheway Creek

The construction loan was converted into a 39-year term loan in April 2016 and will amortize over a 35-year period. Principal repayments do not commence until December 2020. The loan is secured by the assets of Tretheway L.P. with a carrying value of approximately \$102,600.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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aa. Big Silver Creek

On June 22, 2015, Big Silver Creek Power Limited Partnership closed a \$197,223 non-recourse construction and term project financing for the Big Silver Creek River run-of-river hydroelectric project.

On January 31, 2017, the loan was converted into a 39.5-year term loan.

The loan comprises three facilities or tranches:

- A \$51,012 construction loan carrying a fixed interest rate of 4.57%; in 2017 it was converted into a 25-year term loan and the principal will begin to be amortized over a 22-year period starting in 2019;
- A \$128,311 construction loan carrying a fixed interest rate of 4.76%; in 2017 it was converted into a 39.5-year term loan and the principal will be amortized after the 25-year term loan reaches maturity;
- A \$17,900 construction loan carrying a fixed interest rate of 4.76%; in 2017 it was converted into a 39.5-year term loan and its principal will be reimbursed at maturity.

This debt is secured by the assets of Big Silver Creek Power L.P. with a carrying value of approximately \$211,200.

bb. Boulder Creek and Upper Lillooet River

On March 17, 2015, Boulder Creek Power Limited Partnership and Upper Lillooet River Power Limited Partnership jointly closed a \$491,643 non-recourse construction and term project financing for the Boulder Creek and Upper Lillooet River run-of-river hydroelectric projects.

The loan comprises three facilities or tranches:

- A \$191,643 construction loan carrying a fixed interest rate of 4.22%; following the start of the facilities' commercial operation, it will convert into a 25-year term loan and the principal will be amortized over a 20-year period, starting in the sixth year.
- A \$250,000 construction loan carrying a fixed interest rate of 4.46%; following the start of the facilities' commercial operation, it will convert into a 40-year term loan and the principal will begin to be amortized after the 25-year term loan's maturity.
- A \$50,000 construction loan carrying a fixed interest rate of 4.46%; following the start of the facilities' commercial operation, it will convert into a 40-year term loan and its principal will be reimbursed at maturity.

This debt is secured by the assets of Boulder Creek Power L.P. and Upper Lillooet River Power L.P. with a carrying value of approximately \$509,100.

Principal repayments

The principal repayments for the next years, excluding the revaluations, will be as follows:

	Principal repayments			
	Recourse to the Corporation	Non-recourse to the Corporation	Amortization of revaluation	Long-term debt
2017	—	99,418	(21)	99,397
2018	—	57,293	(169)	57,124
2019	—	58,562	(321)	58,241
2020	189,163	64,299	(456)	253,006
2021	—	74,970	(609)	74,361
Thereafter	—	2,134,895	(42,405)	2,092,490
	189,163	2,489,437	(43,981)	2,634,619

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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24. OTHER LIABILITIES

Other liabilities, including amounts shown in current liabilities, consist of contingent considerations, asset retirement obligations and interests payable on Innergex Sainte-Marguerite, S.E.C. ("SM S.E.C.") debenture relating to the Corporation's facilities.

	Contingent considerations	Asset retirement obligations	Interests payable on SM S.E.C. debenture	Total
As at January 1, 2016	2,047	6,269	5,359	13,675
Liability assumed as part of the business acquisition (note 5)	—	6,466	—	6,466
New obligations	—	1,687	—	1,687
Interest expense included in finance cost	—	—	3,897	3,897
Accretion expense included in finance cost	102	449	—	551
Loss on contingent considerations	800	—	—	800
Revisions in estimated cash flows	—	563	—	563
Impact of foreign exchange fluctuations	—	(178)	—	(178)
As at December 31, 2016	2,949	15,256	9,256	27,461
Current portion of other liabilities	(495)	—	—	(495)
Long-term portion of other liabilities	2,454	15,256	9,256	26,966

	Contingent considerations	Asset retirement obligations	Interests payable on SM S.E.C. debenture	Total
As at January 1, 2015	5,458	6,828	1,766	14,052
Interest expense included in finance cost	—	—	3,593	3,593
Accretion expense included in finance cost	280	329	—	609
Gain on contingent considerations	(3,447)	—	—	(3,447)
Revisions in estimated cash flows	—	(888)	—	(888)
Payment of contingent considerations	(244)	—	—	(244)
As at December 31, 2015	2,047	6,269	5,359	13,675
Current portion of other liabilities	(246)	—	—	(246)
Long-term portion of other liabilities	1,801	6,269	5,359	13,429

a. Contingent considerations

An acquisition realized in 2011 provides for the potential payment of additional amounts to the vendors over a period commencing on the acquisition date and ending in 2056. The deferred payments are effectively intended to provide for a potential sharing of the value created if the projects perform better than the Corporation's expectations and would result in incremental accretion to the Corporation, net of these payments. The maximum aggregate amount of all deferred payments under this acquisition is limited to a present value amount of \$35,000 as at the acquisition date. During the year 2015, the Corporation recognized an impairment on Project development costs although the Corporation still owns rights over the sites. Simultaneously, the contingent considerations related to these projects were reversed resulting in a gain of \$3,447 in 2015.

In connection with the Magpie Acquisition, the Corporation assumed an obligation to pay contingent consideration to the Minganie Regional County Municipality until the convertible debenture issued by Magpie L.P. is converted. Upon conversion, the Minganie Regional County Municipality will be entitled to a participation of 30% in Magpie L.P.

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(in thousands of Canadian dollars, except as noted, and amounts per share)

b. Asset retirement obligations

Asset retirement obligations primarily arise from obligations to retire wind farms and solar facility upon expiry of the site leases. The wind farm facilities and solar facility were constructed on sites held under leases expiring at least 25 years after the signing date. The Corporation estimates that the undiscounted value of the payments required for settling the obligations over a 25-year period will be as follows:

Year of expected payments	
2031	2,592
2032	2,466
2033	2,748
2034	2,779
2035	2,851
2036	1,542
2037	6,243
2039	4,332
2040	1,749
2041	10,929
	<u>38,231</u>

The cash flows were discounted at rates between 4.29% to 4.61% as at December 31, 2016 (4.69% to 5.03% in 2015) to determine the obligations.

c. Interests payable on debentures

In connection with the acquisition of the Sainte-Marguerite facility in 2014, Desjardins subscribed to a debenture issued by SM S.E.C. for a total amount of \$42,401. This debenture carries an interest rate of 8.00%, has no predetermined repayment schedule and matures in 2064. Unpaid interests are compounded and are recorded in other long-term liabilities.

25. CONVERTIBLE DEBENTURES

a. Redemption of 5.75% convertible debentures

During the first quarter of 2015, the convertible debentures were decreased by an aggregate amount of \$922 further to the exercise by debentures holders of their conversion privileges. As a result, 922 debentures have been converted into 86,571 common shares.

On July 20, 2015, the Corporation issued a redemption notice in respect of the aggregate principal amount of \$79,578 of the 5.75% convertible debentures that was outstanding. Of that principal amount, \$37,987 was converted at the holders' request into 3,566,851 common shares of the Corporation at a conversion price of \$10.65 per share. The remaining \$41,591 was redeemed at a price of a thousand dollars per convertible debenture, plus accrued and unpaid interest up to August 19, 2015 inclusively, and was financed with drawings under the Corporation's revolving credit facility.

b. Issuance of 4.25% convertible debentures

On August 10, 2015, the Corporation issued an aggregate principal amount of \$100,000 of 4.25% convertible debentures at a price of a thousand dollars per convertible debenture, bearing interest at a rate of 4.25% per annum, payable semi-annually on August 31 and February 28 each year, commencing on February 28, 2016. The convertible debentures will be convertible at the holder's option into common shares of the Corporation at a conversion price of \$15.00 per share, representing a conversion rate of 66.6667 common shares per each thousand dollars of principal amount of convertible debentures. The convertible debentures will mature on August 31, 2020 and will not be redeemable before August 31, 2018, except in certain limited circumstances. On or after August 31, 2018, and before August 31, 2019, Innergex may

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars, except as noted, and amounts per share)

redeem the Debentures at par plus accrued and unpaid interest, in certain circumstances. On or after August 31, 2019, Innergex may redeem the debentures at par plus accrued and unpaid interest.

The convertible debentures are subordinated to all other indebtedness of the Corporation.

The liability portion is being accreted such that the liability at maturity will equal the face value less prior conversions if any.

26. SHAREHOLDERS' CAPITAL

Authorized

The authorized capital of the Corporation consists of an unlimited number of common shares and an unlimited number of preferred shares, non-voting, retractable and redeemable. This includes up to 3,400,000 Cumulative Rate Reset Preferred Shares, Series A (the "Series A Preferred Shares"), up to 3,400,000 Cumulative Floating Rate Preferred Shares, Series B (the "Series B Preferred Shares") and up to 2,000,000 Cumulative Redeemable Fixed Rate Preferred Shares, Series C (the "Series C Preferred Shares").

a) Common shares

Details of common shares issued are shown in the Consolidated Statements of Changes in Shareholders' Equity.

Buyback of common shares

In March 2016, the Corporation announced the approval from the Toronto Stock Exchange to renew its normal course issuer bid. Under the bid, the Corporation is entitled to purchase for cancellation up to 2,000,000 of its common shares. In 2015, the Corporation purchased for cancellation 1,190,173 common shares (none in 2016) at an average price of \$10.36.

5.75% Convertible debentures converted in common shares

During the first and the third quarter of 2015, the 5.75% convertible debentures were decreased by an aggregate amount of \$38,909 further to the exercise by debentures holders of their conversion privileges. As a result, 38,909 debentures have been converted into 3,653,422 common shares.

b) Contributed surplus from reduction of capital account on common shares

Special resolutions to approve the reduction of the legal stated capital account maintained in respect of the common shares of the Corporation, without any payment or distribution to the shareholders were adopted in prior years. This resulted in a decrease of the shareholders' capital account and an equivalent increase of the contributed surplus from reduction of capital on common shares account.

c) Preferred shares

Series A Preferred Shares

On September 14, 2010, the Corporation issued a total of 3,400,000 Series A Preferred Shares at \$25.00 per share for aggregate gross proceeds of \$85,000. The holders of Series A Preferred Shares are entitled to receive fixed cumulative preferential cash dividends, as and when declared by the Board of Directors. The dividends are payable quarterly on the 15th day of January, April, July and October in each year. For the initial five-year period to, but excluding January 15, 2016 (the "Initial Fixed Rate Period"), the dividends were payable at an annual rate equal to \$1.25 per share. The annual dividend rate for the five-year period starting January 15, 2016, equal \$0.902 per share.

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For each five-year period after the Initial Fixed Rate Period (each a "Subsequent Fixed Rate Period"), the holders of the Series A Preferred Shares will be entitled to receive fixed cumulative preferential cash dividends as and when declared by the Board of Directors. The dividends will be payable quarterly in an annual amount per Series A Preferred Share equal to the sum of the yield on a Government of Canada bond with a five-year term to maturity on the applicable fixed rate calculation date, plus 2.79% applicable to such Subsequent Fixed Rate Period multiplied by \$25.00.

Each holder of Series A Preferred Shares will have the right, at its option, to convert all or any of its Series A Preferred Shares into the Series B Preferred Shares of the Corporation on the basis of one Series B Preferred Share for each Series A Preferred Share converted, subject to certain conditions, on January 15, 2016, and on January 15 every five years thereafter. The holders of Series B Preferred Shares will be entitled to receive floating rate cumulative preferential cash dividends as and when declared by the Board of Directors. The dividends will be payable quarterly in an annual amount per Series B Preferred Share equal to the Treasury Bill rate for the preceding quarterly period plus 2.79% per annum determined on the 30th day prior to the first day of the applicable quarterly floating rate period multiplied by \$25.00.

The Series A Preferred Shares were not redeemable by the Corporation prior to January 15, 2016. None were redeemed at that date. The next redemption date is January 15, 2021, and on January 15 every five years thereafter, at which time, the Corporation may, at its option, redeem all or any number of the outstanding Series A Preferred Shares.

Series C Preferred Shares

On December 11, 2012, the Corporation issued a total of 2,000,000 Series C Preferred Shares at \$25.00 per share for aggregate gross proceeds of \$50,000. Holders of the Series C Preferred Shares will be entitled to receive fixed cumulative preferential cash dividends as and when declared by the Corporation's Board of Directors. The dividends will be payable quarterly on the 15th day of January, April, July and October in each year at an annual rate equal to \$1.4375 per share. The Series C Preferred Shares will not be redeemable by the Corporation prior to January 15, 2018. The Series C Preferred Shares do not have a fixed maturity date and are not redeemable at the option of the holders.

d) Share-based payment

Stock option

The Corporation has a stock option plan. The share-based payments expense is accounted under fair value method. In accordance with this method, the stock options are measured at the fair value of the equity instruments at the date of grant.

The Corporation has a stock option plan providing for the granting of options by the Board of Directors to employees, officers, directors and certain consultants of the Corporation and its subsidiaries to purchase common shares. Options granted under the stock option plan will have an exercise price of not less than the market price of the common shares at the date of grant of the option, calculated as the volume weighted average trading price of the common shares on the Toronto Stock Exchange for the five trading days immediately preceding the date of grant.

The maximum number of common shares of the Corporation available for issuance pursuant to options granted under the stock option plan is 4,064,123. Any common shares subject to an option that expires or terminates without having been fully exercised may be subject to a further option. The number of common shares issuable to non-executive directors of the Corporation under the stock option plan cannot at any time exceed 1% of the issued and outstanding common shares.

Options must be exercised during a period established by the Board of Directors, which may not be greater than 10 years after the date of grant. Options granted under the stock option plan vest in equal amounts on a yearly basis over a period of four to five years following the grant date.

The following table summarizes outstanding stock options of the Corporation as at December 31, 2016 and 2015:

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	December 31, 2016		December 31, 2015	
	Number of options (000's)	Weighted average exercise price (\$)	Number of options (000's)	Weighted average exercise price (\$)
Outstanding - beginning of year	3,425	10.09	3,470	10.07
Granted during the year	126	14.65	—	—
Exercised during the year	(94)	11.00	(45)	8.75
Canceled during the year	—	—	—	—
Outstanding - end of year	3,457	10.23	3,425	10.09
Options exercisable - end of year	3,034	10.03	2,830	10.04

The following options were outstanding and exercisable as at December 31, 2016:

Year of granting	Number of options outstanding (000's)	Exercise price (\$)	Number of options exercisable (000's)	Year of maturity
2007	752	11.00	752	2017
2011	770	9.88	770	2018
2012	397	10.70	397	2019
2010	618	8.75	618	2020
2013	397	9.13	298	2020
2014	397	10.96	199	2021
2016	126	14.65	—	2023
	3,457		3,034	

The Corporation applies the fair value method of accounting for options granted to senior management, which is estimated using the Black-Scholes option-pricing model. Share-based payments are expensed and a credit is made to the share-based payment account in the equity of the Corporation to account for the options granted.

The following assumptions were used to estimate the fair value of the options issued to grantees during the year:

	December 31, 2016
Risk-free interest rate	0.74%
Expected annual dividend per common share	\$0.64
Expected life of options	6 years
Expected volatility	19.30%
Fair value of options granted	\$1.24

For the purpose of compensation expense, stock-based compensation is amortized to expenses on a straight-line basis over the vesting period of a maximum of five years. The weighted average contractual life of the outstanding stock options is five years. Expected volatility is estimated by considering historic average share price volatility.

e) Dividend Reinvestment Plan ("DRIP")

The Corporation implemented a DRIP for its shareholders. The plan allows eligible common shareholders the opportunity to reinvest a portion or all of the dividends they receive to purchase additional common shares of the Corporation, without paying fees such as brokerage commissions and service charges. Shares will either be purchased on the open market or issued from treasury.

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27. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

	Foreign exchange gain (loss) on translation of self-sustaining foreign subsidiaries	Foreign exchange (loss) gain on the designated hedges on the investments in self-sustaining foreign subsidiaries	Net currency translation reserve	Cash flow hedge interest rate risk	Share of cash flow hedge interest rate risk of joint venture	Total
Balance as at January 1, 2016	1,875	(1,569)	306	(1,930)	48	(1,576)
Exchange differences on translation of foreign operations	(872)	—	(872)	—	—	(872)
Hedging gain of the reporting period	—	296	296	408	1	705
Related deferred tax	91	(17)	74	(74)	—	—
Balance as at December 31, 2016	1,094	(1,290)	(196)	(1,596)	49	(1,743)

	Foreign exchange gain (loss) on translation of self-sustaining foreign subsidiaries	Foreign exchange (loss) gain on the designated hedges on the investments in self-sustaining foreign subsidiaries	Net currency translation reserve	Cash flow hedge interest rate risk	Share of cash flow hedge interest rate risk of joint venture	Total
Balance as at January 1, 2015	409	(171)	238	(253)	—	(15)
Exchange differences on translation of foreign operations	1,689	—	1,689	—	—	1,689
Hedging (loss) gain of the reporting period	—	(1,610)	(1,610)	(2,267)	64	(3,813)
Related deferred tax	(223)	212	(11)	590	(16)	563
Balance as at December 31, 2015	1,875	(1,569)	306	(1,930)	48	(1,576)

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28. ADDITIONAL INFORMATION TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

a. Changes in non-cash operating working capital items

	Year ended December 31	
	2016	2015
Accounts receivable and income tax receivable	(46,109)	(1,730)
Prepaid and others	156	913
Accounts payable and other payables and income tax payable	(10,489)	9,092
	(56,442)	8,275

b. Additional information

	Year ended December 31	
	2016	2015
Interest paid (including \$37,838 capitalized interest (\$29,243 in 2015))	119,577	100,985
<i>Non-cash transactions</i>		
in unpaid property, plant and equipment	19,596	7,215
in unpaid development costs	—	(4,218)
in unpaid transactions costs of convertible debentures	—	102
in common shares issued through the conversion of convertible debentures	—	(40,521)
in common shares issued through share options exercised	(78)	(68)
variation in discounted rates in asset retirement obligations	563	(888)
in common shares issued through dividend reinvestment plan	(3,209)	(8,172)
intangible acquired in exchange of a non-controlling interest in a subsidiary	—	(325)
loans to partners in exchange of non-controlling interests in subsidiaries	(27)	(133)

c. Changes in liabilities arising from financing activities

	Year ended December 31	
	2016	2015
Long-term debt at beginning of the year	2,215,433	1,644,599
Increase of long-term debt	872,247	1,241,951
Repayment of long-term debt	(657,207)	(665,085)
Payment of deferred financing costs	(2,680)	(13,842)
Business acquisitions (Note 5)	178,362	—
Other changes	5,815	4,697
Net foreign exchange differences	(5,337)	3,113
Long-term debt at end of the year	2,606,633	2,215,433

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29. SUBSIDIARIES

29.1 General information of subsidiaries

Details of the Corporation's significant subsidiaries at the end of the reporting period are set out below.

Name of subsidiaries	Principal activity	Place of creation and operation	Proportion of ownership interest and voting rights held by the Corporation	
			December 31, 2016	December 31, 2015
Harrison Hydro L.P. and its subsidiaries	Own and operate hydroelectric facilities	Canada	50.01%	50.01%
Creek Power Inc. and its subsidiaries	Develop, construct, own and operate hydroelectric facilities	Canada	66.67%	66.67%
Kwoiek Creek Resources L.P. ¹	Own and operate a hydroelectric facility	Canada	50.00%	50.00%
Ashlu Creek Investments L.P.	Own and operate a hydroelectric facility	Canada	100.00%	100.00%
Big Silver Creek Power Limited Partnership	Own and operate hydroelectric facility	Canada	100.00%	100.00%
Mesgi'g Ugju's'n (MU) Wind Farm L.P. ²	Own and operate a wind facility	Canada	50.00%	50.00%
Innergex Europe (2015) Limited Partnership and its subsidiaries	Own and operate wind facilities	Canada/Europe	69.55%	—%

1. The Corporation owns more than 50% of the economic interest in Kwoiek Creek Resources L.P.

2. The Corporation owns more than 50% of the economic interest in Mesgi'g Ugju's'n (MU) Wind Farm L.P.

The Corporation has subsidiaries, the principal activities of which are summarized as follows:

Principal activity	Principal place of business	Number of subsidiaries	
		December 31, 2016	December 31, 2015
Own or operate hydroelectric facilities	Canada	41	37
	United States	1	1
		42	38
Own or operate wind farm facilities	Canada	12	10
	Europe	9	0
		21	10
Own or operate a solar facility	Canada	2	2
Develop or construct hydroelectric facilities	Canada	4	8
Holdings and others	Canada	34	34
	United States	2	2
	Europe	8	4
		44	40
		113	98

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars, except as noted, and amounts per share)

29.2 Details of non-wholly-owned subsidiaries that have non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Corporation:

Name of subsidiaries	Place of creation and operation	Proportion of ownership interests and voting rights held by non-controlling interests		Earnings (loss) allocated to non-controlling interests for the year ended		Non-controlling interests (deficit)	
		Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015
Harrison Hydro L.P. and its subsidiaries	Canada	49.99%	49.99%	3,063	(4,141)	61,710	65,395
Creek Power Inc. and its subsidiaries	Canada	33.33%	33.33%	(1,531)	(6,369)	(22,687)	(21,116)
Kwoięk Creek Resources, L.P. ⁽¹⁾	Canada	50.00%	50.00%	(352)	(2,386)	(10,724)	(10,372)
Mesgi'g Ugju's'n (MU) Wind Farm L.P. ⁽¹⁾	Canada	50.00%	50.00%	(303)	(3,123)	(9,167)	(8,862)
Innergex Sainte-Marguerite, S.E.C.	Canada	49.99%	49.99%	(2,144)	(2,042)	(5,562)	(3,418)
Innergex Europe (2015) Limited Partnership and its subsidiaries ⁽²⁾	Canada/ Europe	30.45%	—%	(2,708)	—	779	—
Others	Canada	Various	Various	55	(21)	363	280
				(3,920)	(18,082)	14,712	21,907

1. The Corporation owns more than 50% of the economic interest in the subsidiary.

2. Period of 261 days in 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars, except as noted, and amounts per share)

Summarized financial information in respect of each of the Corporation's subsidiaries that has material non-controlling interests is set out below. The summarized financial information below represents amounts before intragroup eliminations.

Harrison Hydro L.P. and its subsidiaries

As at	December 31, 2016	December 31, 2015
Summary Statements of Financial Position		
Current assets	22,416	16,930
Non-current assets	615,937	631,521
	638,353	648,451
Current liabilities	17,847	15,653
Non-current liabilities	458,037	461,810
Equity attributable to owners	100,759	105,593
Non-controlling interests	61,710	65,395
	638,353	648,451
	Year ended December 31	
	2016	2015
Summary Statements of Earnings and Comprehensive income (loss)		
Revenues	60,039	42,452
Expenses	55,057	51,880
Net earnings (loss) and comprehensive income (loss)	4,982	(9,428)
Net earnings (loss) and comprehensive income (loss) attributable to:		
Owners of the parent	1,919	(5,287)
Non-controlling interests	3,063	(4,141)
	4,982	(9,428)
Summary Statements of Cash Flows		
Net cash inflow from operating activities	29,458	12,377
Net cash outflow from financing activities	(22,581)	(23,738)
Net cash outflow from investing activities	(98)	(527)
Net increase (decrease) in cash and cash equivalents	6,779	(11,888)
Distributions paid to non-controlling interests	6,748	7,448

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars, except as noted, and amounts per share)

Creek Power Inc. and its subsidiaries

As at	December 31, 2016	December 31, 2015
Summary Statements of Financial Position		
Current assets	82,759	182,681
Non-current assets	492,414	342,038
	575,173	524,719
Summary Statements of Earnings and Comprehensive loss		
Current liabilities	48,853	59,716
Non-current liabilities	605,658	539,660
Deficit attributable to owners	(56,651)	(53,541)
Non-controlling interest deficit	(22,687)	(21,116)
	575,173	524,719
Summary Statements of Cash Flows		
Net cash inflow (outflow) from operating activities	92	(67,876)
Net cash inflow from financing activities	44,774	373,861
Net cash outflow from investing activities	(44,283)	(310,482)
Net increase (decrease) in cash and cash equivalents	583	(4,497)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars, except as noted, and amounts per share)

Kwoiek Creek Resources L.P.

As at	December 31, 2016	December 31, 2015
Summary Statements of Financial Position		
Current assets	8,949	6,946
Non-current assets	175,049	177,836
	183,998	184,782
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Current liabilities	9,964	8,599
Non-current liabilities	194,985	196,430
Deficit attributable to owners	(10,227)	(9,875)
Non-controlling interest deficit	(10,724)	(10,372)
	183,998	184,782
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	Year ended December 31	
	2016	2015
Summary Statements of Earnings and Comprehensive loss		
Revenues	19,840	18,553
Expenses	20,544	22,886
Net loss and comprehensive loss	(704)	(4,333)
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Net loss and comprehensive loss attributable to:		
Owners of the parent	(352)	(1,947)
Non-controlling interest	(352)	(2,386)
	(704)	(4,333)
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Summary Statements of Cash Flows		
Net cash inflow (outflow) from operating activities	1,967	(13,990)
Net cash outflow from financing activities	—	(57)
Net cash (outflow) inflow from investing activities	(113)	18,562
Net increase in cash and cash equivalents	1,854	4,515
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars, except as noted, and amounts per share)

Mesgi'g Ugju's'n (MU) Wind Farm L.P.

As at	December 31, 2016	December 31, 2015
Summary Statements of Financial Position		
Current assets	64,843	97,923
Non-current assets	294,918	100,966
	359,761	198,889
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Current liabilities	59,360	6,535
Non-current liabilities	264,582	155,434
Equity attributable to owners	44,986	45,302
Non-controlling interest deficit	(9,167)	(8,382)
	359,761	198,889
<hr/>		
Year ended December 31		
	2016	2015
Summary Statements of Earnings and Comprehensive loss		
Revenues	1,024	—
Expenses	2,121	9,992
Net loss	(1,097)	(9,992)
Other comprehensive loss	(1,643)	(1,639)
Total comprehensive loss	(2,740)	(11,631)
<hr/>		
Net loss attributable to:		
Owners of the parent	(794)	(6,869)
Non-controlling interest	(303)	(3,123)
	(1,097)	(9,992)
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Total comprehensive loss attributable to:		
Owners of the parent	(1,955)	(8,028)
Non-controlling interest	(785)	(3,603)
	(2,740)	(11,631)
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Summary Statements of Cash Flows		
Net cash outflow from operating activities	(54,473)	(34,458)
Net cash inflow from financing activities	124,368	208,758
Net cash outflow from investing activities	(63,787)	(174,293)
Net increase in cash and cash equivalents	6,108	7
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars, except as noted, and amounts per share)

Innergex Sainte-Marguerite, S.E.C.

As at	December 31, 2016	December 31, 2015
Summary Statements of Financial Position		
Current assets	2,344	1,476
Non-current assets	132,351	134,873
	134,695	136,349
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Current liabilities	8,654	6,148
Non-current liabilities	120,681	120,552
Equity attributable to owners	10,922	13,067
Non-controlling interest deficit	(5,562)	(3,418)
	134,695	136,349
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	Year ended December 31	
	2016	2015
Summary Statements of Earnings and Comprehensive loss		
Revenues	10,666	10,562
Expenses	14,955	14,648
Net loss and comprehensive loss	(4,289)	(4,086)
<hr/>		
Net loss and comprehensive loss attributable to:		
Owners of the parent	(2,145)	(2,044)
Non-controlling interest	(2,144)	(2,042)
	(4,289)	(4,086)
<hr/>		
Summary Statements of Cash Flows		
Net cash inflow from operating activities	3,149	3,026
Net cash outflow from financing activities	(2,605)	(2,308)
Net cash outflow from investing activities	(441)	(666)
Net increase in cash and cash equivalents	103	52
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars, except as noted, and amounts per share)

Innergex Europe (2015) Limited Partnership and its subsidiaries

The Corporation owned 100% of the participating units of Innergex Europe (2015) Limited Partnership, formed for the acquisition of seven operating wind farms in France on April 15, 2016.

On June 10, 2016, Desjardins subscribed an amount of \$38,357 in exchange of 30.45% of the common units and a debenture of \$31,965 issued by Innergex Europe (2015) Limited Partnership. An additional investment of \$9,397 including a debenture of \$6,224 was made by Desjardins upon the closing of the acquisition of the two wind farms on December 22, 2016.

As at	December 31, 2016
Summary Statement of Financial Position	
Current assets	19,036
Non-current assets	325,310
	<hr/> <hr/> 344,346
Current liabilities	32,475
Non-current liabilities	316,508
Deficit attributable to owners	(5,416)
Non-controlling interest	779
	<hr/> <hr/> 344,346

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars, except as noted, and amounts per share)

	Period of 261 days ended December 31, 2016
Summary Statement of Earnings and Comprehensive loss	
Revenues	9,836
Expenses ¹	21,145
Net loss	(11,309)
Other comprehensive loss	(799)
Total comprehensive loss	(12,108)
Net loss attributable to:	
Owners of the parent	(8,601)
Non-controlling interests	(2,708)
	(11,309)
Total comprehensive loss attributable to:	
Owners of the parent	(9,157)
Non-controlling interests	(2,951)
	(12,108)
Summary Statement of Cash Flows	
Net cash outflow from operating activities	(17,443)
Net cash inflow from financing activities	121,132
Net cash outflow from investing activities	(100,504)
Net increase in cash and cash equivalents	3,185
Distributions paid to non-controlling interests	640

1. Expenses include \$1,679 of acquisition costs, \$1,470 of interest payable to Desjardins on the \$38,189 debenture, \$4,265 of preferred return payable to Innergex on the \$87,227 preferred units and \$603 of interest payable to Innergex on a temporary bridge loan. Excluding these elements, the Net loss would have been \$3,292. Expenses also include non-cash expenses such as depreciation and amortization of a total amount of \$9,805.

29.3 Financial support to structured entities

Kwoiek Creek Resources L.P

Based on the contractual arrangements between the Corporation and the other partner, the Corporation concluded that it has control over Kwoiek Creek Resources L.P.

The Corporation invested \$39,752 in preferred units of Kwoiek Creek Resources L.P. This investment provides the Corporation with preferred distributions.

Kwoiek Creek Resources Inc., the other partner, invested \$3,662 in subordinated debt of Kwoiek Creek Resources L.P.

Interests or distributions on the aggregate subordinated debt and preferred units will be payable annually subject to the availability of gross revenues. The interests or distributions on preferred units are payable before making any distributions on the common units.

Mesgi'g Ugju's'n (MU) Wind Farm L.P

Based on the contractual arrangements between the Corporation and the other partner, the Corporation concluded that it has control over Mesgi'g Ugju's'n (MU) Wind Farm L.P.

The Corporation is responsible for financing equity required by the project. Mi'gmawei Mawiomi Resources L.P., the other partner, can participate in the financing of the equity for an amount up to a maximum of \$2,300.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars, except as noted, and amounts per share)

The Corporation invested a total of \$63,315 in preferred units of Mesgi'g Ugu's'n (MU) Wind Farm L.P. This investment provides the Corporation with preferred distributions. The Mi'gmaq partner invested a total of \$2,300 in preferred units of the Mesgi'g Ugu's'n (MU) Wind farm L.P.

Distributions on preferred units will be payable subject to the availability of gross revenues. The cumulated distributions on preferred units are payable before making any distributions on common units.

30. JOINT OPERATIONS

Name of entities	Principal activity	Place of creation and operation	Proportion of ownership interest and voting rights held by the Corporation	
			December 31, 2016	December 31, 2015
Innergex AAV, L.P. ⁽¹⁾	own and operate a wind farm facility	Quebec	100%	100%
Innergex BDS, L.P. ⁽¹⁾	own and operate a wind farm facility	Quebec	100%	100%
Innergex CAR, L.P. ⁽¹⁾	own and operate a wind farm facility	Quebec	100%	100%
Innergex GM, L.P. ⁽¹⁾	own and operate a wind farm facility	Quebec	100%	100%
Innergex MS, L.P. ⁽¹⁾	own and operate a wind farm facility	Quebec	100%	100%
Others	operate wind farm facilities	Quebec	50%	50%

(1). Each of the Limited Partnership owns a 38% ownership interest in the assets, liabilities, revenues and expenses and 50% voting rights of the joint operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars, except as noted, and amounts per share)

31. RELATED PARTY TRANSACTIONS

Harrison Hydro L.P reimbursed the non-interest bearing term loans made by its partners in an amount of \$1,750 during the first quarter of 2015.

32. FINANCIAL INSTRUMENTS

a. Fair value disclosures

Fair value estimates are made at specific points in time using available information about the financial instrument in question. These estimates are subjective in nature and often cannot be determined precisely.

As at December 31, 2016, the Corporation determined that the carrying values of its current financial assets and liabilities approximated their fair values due to these instruments' short term maturity.

As at December 31, 2016, the Corporation determined that the carrying values of its short-term investments and government-backed securities included in reserve accounts approximated their fair values due to these instruments' short-term maturity.

The fair value of each debt instrument is estimated utilizing standard financial industry practices where future expected cash flows are discounted at discount rates based on the interest rate and credit conditions prevailing in the financial markets as of the valuation date. Notably, for fixed rate instruments, contractual cash flows are discounted at an appropriate yield to maturity. For floating rate instruments, future expected contractual interest rates represent the sum of future expected levels of the reference interest rate index and the instrument's quoted margin whereas discount rates represent the sum of future expected levels of the reference index and an appropriate discount margin. Appropriate yields to maturity and discount margins are estimated utilizing the available quoted or indicative pricing of individual debt instruments or indices whose credit is deemed comparable to the debt instruments being evaluated.

The carrying values of the floating rate long-term debts are approximately \$77,774 lower than their estimated fair values based on the swap interest curve on December 31, 2016. The carrying values of the fixed-rate debts, the bonds and the debentures are approximately \$112,489 lower than their estimated fair market values based on the swap interest curve on December 31, 2016. All of these are estimated using Level 2 valuation techniques.

Financial assets or liabilities measured at fair value are derivative financial instruments which are level 3 for PPAs inflation provision and level 2 for interest rate swap and foreign exchange forwards contracts.

b. Interest rate risk

The Corporation entered into fixed rate debts or hedge agreements to mitigate the risk of fluctuations in the interest rates on its non-recourse long-term debt. It also use hedge agreements on a portion of its revolving credit facility.

During 2016, as part of the acquisition of the wind farms in France, Cholletz wind farm holds an interest rate swap contract for a notional amount of €10,400 maturing in 2030 at a weighted average rate of 2.64%, to manage its risk on its long-term debt.

The interest hedging instruments and related risks are described in detail in Note 10.

c. Credit risk

Credit risk relates to the possibility that a loss may occur from a party's failure to comply with contractual requirements.

Cash and cash equivalents are mainly held at large Canadian financial institutions and, to a lesser degree, at major U.S. and European financial institutions.

The financial derivatives and related risks are described in detail in Note 10.

The accounts receivable and related risks are described in detail in Note 16.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars, except as noted, and amounts per share)

The reserve accounts and related risks are described in detail in Note 17.

d. Liquidity risk

Liquidity risk relates to the capacity of the Corporation to meet liabilities as they become due. Certain covenants of long-term borrowing contracts could prevent the Corporation from repatriating funds from certain subsidiaries.

Some hedging instruments have embedded early termination options. The triggering of these options could pose a liquidity risk. Should the early termination option be triggered, a presumed realized loss would be offset by the savings realized on future expenses, as a negative value would be the result of an environment in which actual rates are more beneficial than the rates embedded in the swap.

The Corporation has a positive working capital of \$31,859 as at December 31, 2016 (positive working capital of \$212,177 in 2015). If necessary, the Corporation can use its revolving credit facility, as described in Note 23 a), of which \$185,313 was available as at December 31, 2016 (\$180,359 in 2015). In addition, in the event of lower revenue due to a decline in production or to a major equipment breakdown, the Corporation has available reserve accounts (as described in Note 17) and is covered by insurance plans. Accordingly, the Corporation believes its current working capital to be sufficient to meet all of its needs.

The following table presents the maturities of the financial liabilities:

	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years
Dividends payable to shareholders	18,795	—	
Accounts payable and other payables	27,003	58,847	
Income tax payable	—	1,292	
Current portion of derivative financial instruments	3,684	10,857	
Current portion of long-term debt	14,944	84,453	
Current portion of other liabilities	246	249	
Derivative financial instruments			31,670
Accrual for acquisition of long-term assets			37,401
Long-term debt			442,732
Other liabilities			3,333
Liability portion of convertible debentures			94,840
Total	64,672	155,698	609,976

The maturities are determined based on the expected terms of the payments.

e. Market risk

Market risk is related to fluctuations in the fair value or future cash flows of a financial instrument because of market price variations. Market risk includes foreign exchange and interest rate risks, described under separate headings, and other price risks.

The sale of electricity is made pursuant to long-term agreements where the offtakers are committed to take and pay for the total production, up to certain annual limits. The inflation clauses of the sale price of electricity are normally allowing the Corporation to cover its increase of variable operation expenses. The inflation clauses included in some of the electricity purchasing contracts with Hydro-Québec are limited to a maximum of 6% per year.

f. Foreign exchange risk

The foreign exchange risk relates to fluctuations in the U.S. dollar and Euro against the Canadian dollar.

The Corporation has subsidiaries in Europe for which the revenues, net of the expenses incurred, are repatriated to Canada. The Corporation's foreign exchange forwards are denominated in Euro dollars. Repatriated funds that are not used to service the Euro dollar-denominated foreign exchange forwards are converted into Canadian dollars at

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars, except as noted, and amounts per share)

the exchange rate in effect on the conversion date. The Corporation's net risk is estimated to be \$81 for each 1% increase in the value of the Canadian dollar against the Euro dollar. The Corporation uses a portion of its Euro dollar-denominated foreign exchange forwards to hedge its investment in its subsidiaries, as described in Note 10.

The Corporation has subsidiaries in the United States for which the revenues, net of the expenses incurred, are repatriated to Canada. A portion of the Corporation's debts is denominated in U.S. dollars. Repatriated funds that are not used to service the U.S. dollar-denominated debt are converted into Canadian dollars at the exchange rate in effect on the conversion date. The Corporation's net risk is estimated to be \$13 for each 1% increase in the value of the Canadian dollar against the U.S. dollar. The Corporation uses a portion of its U.S. dollar-denominated debt to hedge its investment in its subsidiaries, as described in Note 10.

33. COMMITMENTS AND CONTINGENCIES

In addition to the commitments of the Joint Venture presented in note 9, the Corporation entered into the following transactions:

a. Power Purchase Agreements

Quebec facilities

Under PPAs with terms varying from 20 to 25 years and expiring between 2017 and 2036, Hydro-Québec agreed to purchase all of the electrical energy produced by the facilities and wind farms located in the Province of Quebec. Certain facilities have an agreed maximum quantity of electricity and a minimum quantity of electricity to deliver during each of the consecutive 12-month periods. Most of the hydroelectric facilities can renew their PPAs for identical periods.

Total revenues from Hydro-Québec amounted to \$102,935 in 2016 (\$104,110 in 2015), representing 35% of the Corporation's revenues (42% in 2015). The Corporation is economically dependent on Hydro-Québec given the size of its revenues.

British Columbia facilities

Under PPAs with terms varying from 20 to 40 years and expiring between 2017 and 2056, British Columbia Hydro and Power Authority agreed to purchase all of the electrical energy produced by the facilities located in the Province of British-Columbia.

Total revenues from British Columbia Hydro and Power Authority amounted to \$139,012 in 2016 (\$104,293 in 2015) representing 47% of the Corporation's revenues (42% in 2015). The Corporation is economically dependent on British Columbia Hydro and Power Authority given the size of its revenues.

Ontario facilities

Under PPAs with terms varying from 20 to 30 years and expiring between 2025 and 2032, Hydro One inc. and its affiliates agreed to purchase all of the electrical energy produced by the facilities located in Ontario.

Total revenues from the Ontario facilities amounted to \$21,250 (\$21,228 in 2015) representing 7% of the Corporation's revenues (9% in 2015).

Europe facilities

Under PPAs with terms varying from 15 to 17 years and expiring between 2024 and 2031, Électricité de France and S.I.C.A.E Oise agreed to purchase all of the electrical energy produced by the facilities located in France.

Total revenues from Électricité de France and S.I.C.A.E Oise amounted to \$9,836 in 2016 (nil in 2015) representing 3% of the Corporation's revenues (nil in 2015).

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Idaho facility

Under a PPAs with a 35-year term and expiring in 2030, Idaho Power Company agreed to purchase all of the electricity produced by Horseshoe Bend Hydroelectric Corporation.

Total revenues from Idaho Power Company amounted to \$ \$4,226 in 2016 (\$3,826 in 2015), representing 1% of the Corporation's revenues (2% in 2015).

b. Other Commitments

(i) Hydroelectric facilities

The Corporation and its subsidiaries entered into royalties and other commitments related to surrounding municipalities and land owners and the operation of the hydroelectric facilities.

Ashlu Creek facility

The ownership of the assets of the project will be transferred to a First Nation in 2049 for a nominal financial consideration.

Boulder Creek facility

Boulder Creek LP entered into several contracts for the construction of an hydroelectric power-generating facility.

Partnership agreement

40% of the Corporation's ownership of the project will be transferred to the First Nation partner 40 years after the commencement of delivery.

Glen Miller facility

Glen Miller Power, Limited Partnership entered into a 30-year lease agreement, ending in December 2035, for the site that is in commercial operation. The lease has a 15-year extension option upon terms and conditions to be negotiated.

Glen Miller Power, Limited Partnership is committed to remit the facility to the lessor of the site, at the end of the lease agreement, for no consideration.

Harrison Hydro L.P.

The ownership of Douglas Creek Project L.P. and Tipella Creek Project L.P. will be transferred to a First Nation in 2069 for no financial consideration.

Kwoiek Creek facility

The Corporation's ownership of the project will be transferred to the First Nation partner in 2054 for no financial consideration. Subsequently, the Corporation will receive a royalty based on a percentage of the gross revenues less operation costs.

Rutherford Creek facility

Rutherford L.P. agreed to make payments to the former owners, following the expiry of the Rutherford Creek PPA in 2024. This payment is based on the difference between the then selling price of electricity and the last selling price of electricity under the agreement, adjusted annually following the expiry of the agreement by 50% of the increase or decrease in the CPI over the previous 12 months. This amount will correspond to 35% of the gross revenues attributable to the difference for the 20-year period following the expiry of the power purchase agreement. After the 20-year period, that portion of the payment will correspond to 30% of the gross revenues attributable to the difference. This commitment is secured by the Rutherford L.P. facility but is subordinated to the term loan described in Note 23 i).

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Tretheway facility

50% of the Corporation's ownership will be transferred to a First Nation in 2055 for no financial consideration.

Upper Lillooet facility

Upper Lillooet River LP entered into several contracts for the construction of a hydroelectric power-generating facility.

Partnership agreement

40% of the Corporation's ownership of the project will be transferred to the First Nation partner 40 years after the commencement of delivery.

(ii) Wind farm facilities

The Corporation and its subsidiaries entered into royalties and other commitments related to amounts to set aside for the dismantling of wind farm components, commitments to surrounding municipalities and land owners and the operation of the wind farms.

Europe

The French subsidiaries entered into commitments related to land leases, maintenance and management contracts for the operations of the wind farms.

(iii) Stardale Solar LP

Stardale Solar LP entered into a contract for the operations and maintenance of the solar farm.

(iv) Operating leases

The Corporation is engaged under long-term operating leases of premises which will expire between 2017 and 2028.

c. Summary of commitments

As at December 31, 2016, the expected schedule of commitment payments is as follows:

Year of expected payment	Hydroelectric Generation	Wind Power Generation	Solar Generation	Site Development	Total
2017	1,576	8,603	333	15,096	25,608
2018	1,108	8,835	—	1,317	11,260
2019	971	9,723	—	1,185	11,879
2020	1,005	9,881	—	1,160	12,046
2021	911	9,968	—	1,155	12,034
Thereafter	21,892	94,418	—	7,388	123,698
Total	27,463	141,428	333	27,301	196,525

d. Contingencies

The Corporation is subject to various claims that arise in the normal course of business. Management believes that adequate provisions have been made in the accounts where required. Although it is not possible to estimate the extent of potential costs and losses, if any, management believes that the ultimate resolution of such contingencies will not have an adverse effect on the financial position of the Corporation.

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34. CAPITAL DISCLOSURES

The Corporation's strategy in managing its capital is: (i) to develop or acquire high-quality power production facilities that generate sustainable and stable cash flows, with the objective of achieving a high return on invested capital, and (ii) to distribute a stable dividend.

The Corporation seeks to achieve its objectives by:

- Maintaining the generating capacity and enhancing the operation of its hydroelectric facilities, wind farms and solar farm; and
- Acquiring and developing new electricity-generating facilities.

The Corporation maintains its generating capacity by investing the necessary funds to maintain and continually upgrade its equipment. The Corporation also invests amounts on an annual basis in major maintenance reserve in order to fund any major maintenance of hydroelectric facilities, wind farms or solar farm which may be required to preserve the Corporation's generating capacity.

The Corporation determines the amount of capital required, and its allocation between debt and equity, for the acquisition and development of new electricity-generating facilities by considering the specific characteristics of stability and growth of each facility. This determination is made in order to distribute a stable dividend while maintaining an acceptable level of indebtedness.

The Corporation has a hydrology/wind power reserve. This reserve could be used in the event that the net available cash for any given year is less than expected, due to normal changes in hydrology or wind conditions or other unpredictable factors.

The Corporation's capital is composed of long-term debt, convertible debentures and shareholders' equity. Total capital amounts to \$3,186,705 at year-end.

The Corporation uses equity primarily to finance the development of projects. The Corporation uses long-term debt to finance the construction of its facilities. The Corporation expects to finance 70% to 85% of its construction costs mostly through non-recourse long-term debt financing.

Future development and construction of new facilities, development of projects, expenses on prospective projects and other capital expenditures will be financed out of cash generated from the Corporation's operating facilities, borrowings and/or issuance of additional equity. To the extent that external sources of capital, including issuance of additional securities of the Corporation, become limited or unavailable, the Corporation's ability to make necessary capital investment to construct new or maintain existing project facilities will be impaired. There is no certainty that sufficient capital will be available on acceptable terms to fund further development or expansion.

Under the terms of the Revolving credit facility described in Note 23 a), the Corporation needs to maintain, a leverage ratio and an interest coverage ratio. If the ratios are not met, the lender has the ability to recall the facility.

Regarding the respective non-recourse projects financing, some subsidiaries of the Corporation need to maintain minimum debt coverage ratios. If the ratios of a particular project financing are not met, the lenders could have the ability to recall the particular debt. Certain financial restrictive clauses could prevent the subsidiaries from making distributions to the Corporation.

All debt covenants are monitored on a regular basis by the Corporation. During the year, the Corporation and its subsidiaries met all the financial and non-financial conditions related to their credit agreements.

The Corporation's capital management objectives, policies and procedures are to ensure the stability and sustainability of the dividend payable to its shareholders and the development or acquisition of power production facilities. The objectives were identical in prior years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars, except as noted, and amounts per share)

35. SEGMENT INFORMATION

Geographic segments

The Corporation had interests in 28 hydroelectric facilities, seven wind farms and one solar farm in Canada, nine wind farms in France and one hydroelectric facility in the United States. The Corporation operates in three principal geographical areas, which are detailed below:

	Year ended December 31	
	2016	2015
Revenues		
Canada	278,723	243,043
Europe	9,836	—
United States	4,226	3,826
	292,785	246,869

As at	December 31, 2016	December 31, 2015
Non-current assets, excluding financial instruments and deferred tax assets		
Canada	3,005,720	2,704,788
Europe	318,924	—
United States	7,365	8,043
	3,332,009	2,712,831

Major Customers

A major customer is defined as an external customer whose transaction with the Corporation amount to 10% or more of the Corporation's annual revenues. The Corporation has identified two major customers. The sales of the Corporation to these major customers are the following:

Major customer	Segment	Year ended December 31	
		2016	2015
British Columbia Hydro and Power authority	Hydroelectric generation	139,012	104,293
Hydro-Québec	Hydroelectric and wind power generation	102,935	104,110
		241,947	208,403

Operating segments

The Corporation has four operating segments: (a) hydroelectric generation (b) wind power generation (c) solar power generation and (d) site development.

Through its hydroelectric, wind power and solar power generation segments, the Corporation sells electricity produced by its hydroelectric, wind farm and solar facilities to publicly owned utilities or other creditworthy counterparties. Through its site development segment, it analyzes potential sites and develops hydroelectric, wind and solar facilities up to the commissioning stage.

The accounting policies for these segments are the same as those described in the significant accounting policies. The Corporation evaluates performance based on earnings (loss) before finance costs, income taxes, depreciation, amortization, impairment of project development costs, other net (revenues) expenses, share of (earnings) loss of joint

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars, except as noted, and amounts per share)

ventures and unrealized net (gain) loss on financial instruments. The Corporation accounts for inter-segment and management sales at cost. Any transfers of assets from the site development segment to the hydroelectric, wind power generation or solar power generation segments are accounted for at cost.

The operations of the Corporation's operating segments are conducted by different teams, as each segment has different skill requirements.

Year ended December 31, 2016					
Operating segments	Hydroelectric generation	Wind power generation	Solar power generation	Site development	Total
Revenues	211,881	63,238	17,666	—	292,785
Expenses:					
Operating	37,197	13,515	757	—	51,469
General and administrative	8,459	4,090	152	2,344	15,045
Prospective projects	—	—	—	10,288	10,288
Earnings (loss) before finance costs, income taxes, depreciation, amortization, other net expenses, share of earnings of joint ventures and unrealized net gain on financial instruments	166,225	45,633	16,757	(12,632)	215,983
Finance costs					95,254
Other net expenses					265
Earnings before income taxes, depreciation, amortization, share of earnings of joint ventures and unrealized net gain on financial instruments					120,464
Depreciation					61,722
Amortization					28,581
Share of earnings of joint ventures					(2,526)
Unrealized net gain on financial instruments					(4,292)
Earnings before income taxes					36,979

As at December 31, 2016					
Goodwill	8,269	—	—	—	8,269
Total assets	1,993,033	1,003,964	108,231	498,976	3,604,204
Total liabilities	1,537,791	847,148	113,538	620,495	3,118,972
Acquisition of property, plant and equipment during the year	3,420	219,813	11	369,723	592,967

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars, except as noted, and amounts per share)

Year ended December 31, 2015					
Operating segments	Hydroelectric generation	Wind power generation	Solar power generation	Site development	Total
Revenues	173,567	56,691	16,611	—	246,869
Expenses:					
Operating	30,696	9,512	730	—	40,938
General and administrative	7,747	3,497	153	2,791	14,188
Prospective projects	—	—	—	8,005	8,005
Earnings (loss) before finance costs, income taxes, depreciation, amortization, impairment of project development costs, other net expenses, share of earnings of joint ventures and unrealized net gain on financial instruments	135,124	43,682	15,728	(10,796)	183,738
Finance costs					83,130
Other net expenses					116,764
Loss before income taxes, depreciation, amortization, impairment of project development costs, share of earnings of joint ventures and unrealized net gain on financial instruments					(16,156)
Depreciation					53,261
Amortization					22,217
Impairment of project development costs					51,719
Share of earnings of joint ventures					(1,562)
Unrealized net gain on financial instruments					(81,368)
Loss before income taxes					(60,423)

As at December 31, 2015

Goodwill	8,269	—	—	—	8,269
Total assets	1,806,873	332,698	114,543	874,189	3,128,303
Total liabilities	1,344,518	213,415	107,641	991,172	2,656,746
Acquisition of property, plant and equipment during the year	4,051	871	81	299,549	304,552

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars, except as noted, and amounts per share)

36. SUBSEQUENT EVENTS

a. Dividends declared by the Board of Directors

Date of announcement	Record date	Payment date	Dividend per common share (\$)	Dividend per Series A Preferred Share (\$)	Dividend per Series C Preferred Share (\$)
02/23/2017	03/31/2017	04/17/2017	0.1650	0.2255	0.359375

b. Big Silver Creek

On January 31, 2017, the construction term loan of Big Silver was converted into a 39.5-year term loan, see long-term debt note 23 aa.

c. Financing of two of the French subsidiaries

On February 10, 2017, two of the French subsidiaries concluded a €8,500 subordinated debt financing with a French Infrastructure fund. The subordinated loan carries an interest rate of 7.25%, has an eight year tenor and its principal will be reimbursed at maturity.

d. Revolving credit facility

On February 21, 2017, the Corporation executed a Fifth Amended and Restated Credit Agreement of its existing \$425,000 revolving credit facility. These amendments add flexibility to the Corporation to borrow in EURO via EURIBOR loans. The Corporation also extended its revolving term from 2020 to 2021 (except for one lender of \$42,500 whose commitment remains until 2020) to provide greater financing flexibility. Moreover, a Letter of Credit Facility of an amount of up to \$30 000 guaranteed by Export Development Canada (EDC) was added and will be put in place.

e. Acquisition of Yonne

On February 21, 2017, the Corporation and Desjardins completed the purchase of the Yonne wind farm, a 44 MW facility for which the commissioning activities began in the fourth quarter 2016 and were completed at the end of January 2017, and which was part of the French wind projects acquisition concluded in April 2016. The electricity produced by Yonne is sold under a power purchase agreement at fixed price for an initial term of 15 years, to Électricité de France. The total purchase price amounted to €35,184 (or \$48,983), subject to certain adjustments. A €10,000 (or \$13,922) deposit had already been provided by the Corporation. The project financing of €59,464 (equivalent to \$82,786), which is already in place, will remain at the acquired project level. The Corporation reduces its exposure to exchange rate fluctuations by entering into long-term currency hedging instruments. Innergex owns a 69.55% interest in the wind farm and Desjardins Group Pension Plan owns the remaining 30.45%.

INFORMATION FOR INVESTORS

STOCK EXCHANGE LISTING

Innergex Renewable Energy Inc.'s securities are listed on the Toronto Stock Exchange (TSX).

	TSX SYMBOL
Common shares	INE
Cumulative Rate Reset Preferred Shares, Series A ("Series A Preferred Shares")	INE.PR.A
Cumulative Redeemable Fixed Rate Preferred Shares, Series C ("Series C Preferred Shares")	INE.PR.C
4.25% Convertible Unsecured Subordinated Debentures ("Convertible debentures")	INE.DB.A

The Corporation is included in the following indices:

- S&P/TSX Composite Index
- S&P/TSX Composite Dividend Index
- S&P/TSX Composite High Dividend Index
- S&P/TSX Completion Index
- S&P/TSX Renewable Energy and Clean Technology Index

COMMON SHARES (TSX: INE)

Innergex Renewable Energy Inc. had 108,181,592 common shares outstanding at December 31, 2016, with a closing price of \$14.03 per share. The Corporation's shares are listed on the Toronto Stock Exchange.

SERIES A PREFERRED SHARES (TSX: INE.PR.A)

Innergex Renewable Energy Inc. currently has 3,400,000 Series A preferred shares outstanding, with a nominal value of \$25 and a fixed cumulative preferential annual cash dividend of \$0.902 per share, payable quarterly on the 15th day of January, April, July, and October. Series A preferred shares are not redeemable by the Corporation prior to January 15, 2021.

SERIES C PREFERRED SHARES (TSX: INE.PR.C)

Innergex Renewable Energy Inc. currently has 2,000,000 Series C preferred shares outstanding, with a nominal value of \$25 and a fixed-rate cumulative preferential annual cash dividend of \$1.4375 per share, payable quarterly on the 15th day of January, April, July, and October. Series C preferred shares are not redeemable by the Corporation prior to January 15, 2018.

CONVERTIBLE DEBENTURES (TSX: INE.DB.A)

Innergex Renewable Energy Inc. currently has convertible debentures outstanding for an aggregate principal amount of \$100.0 million, bearing interest at a rate of 4.25% per annum, payable semi-annually on February 28 and August 31 of each year, commencing on February 28, 2016. The debentures will be convertible at the holder's option into Innergex common shares at a conversion price of \$15.00 per share, representing a conversion rate of 66.6667 common shares per each thousand

dollars of principal amount of debentures. The debentures will mature on August 31, 2020 and will not be redeemable before August 31, 2018, except in certain limited circumstances. The convertible debentures are subordinated to all other indebtedness of the Corporation.

CREDIT RATINGS

	STANDARD & POOR'S
Innergex Renewable Energy Inc.	BBB
Series A Preferred Shares	P-3
Series C Preferred Shares	P-3

TRANSFER AGENT AND REGISTRAR

For information concerning share certificates, dividend payments, a change of address, or electronic delivery of shareholder documents (such as quarterly and annual reports and proxy circulars), please contact the Corporation's transfer agent and registrar:

Computershare Investor Services Inc.

1500 Robert-Bourassa Blvd, Suite 700
Montreal, Quebec, Canada H3A 3S8
Phone: 1 800 564-6253 or 514 982-7555
Email: service@computershare.com
Website: computershare.com

DIVIDEND REINVESTMENT PLAN (DRIP)

Innergex Renewable Energy Inc. offers a Dividend Reinvestment Plan (DRIP) for its shareholders of common shares. This plan enables eligible holders of common shares to acquire additional common shares of the Corporation by reinvesting all or part of their cash dividends. For more information about the Corporation's DRIP, please visit our website at innergex.com or contact the DRIP administrator, Computershare Trust Corporation of Canada. Please note that if you wish to enrol in the DRIP but own your shares indirectly through a broker or financial institution, you must contact this intermediary and ask them to enrol in the DRIP on your behalf.

INDEPENDENT AUDITOR

Deloitte LLP

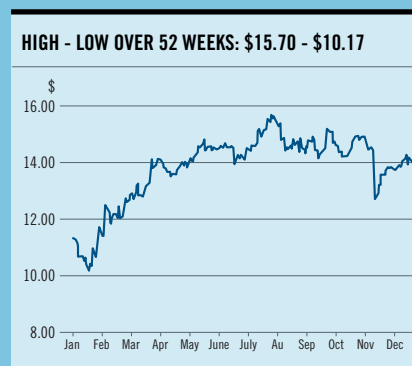
COMMON SHARE DIVIDEND POLICY AND PAYMENT HISTORY

The Corporation distributed an annual dividend of \$0.64 per common share, payable quarterly¹. The Corporation's dividend policy is determined by its Board of Directors and is based on the Corporation's results of operations, cash flows, financial condition, debt covenants, long-term growth prospects, solvency tests imposed under corporate law for the declaration of dividends, and other relevant factors.

PAYMENT HISTORY	2016	2015	2014
First Quarter	\$0.160	\$0.155	\$0.150
Second Quarter	\$0.160	\$0.155	\$0.150
Third Quarter	\$0.160	\$0.155	\$0.150
Fourth Quarter	\$0.160	\$0.155	\$0.150
	\$0.640	\$0.620	\$0.600

¹ On February 23, 2017, the Board of Directors announced an increase of \$0.02 in the annual dividend that the Corporation intends to distribute to its shareholders of common shares, raising it from \$0.64 to \$0.66 per common share, payable quarterly.

STOCK CHART: JANUARY 1 - DECEMBER 31, 2016



ANNUAL SHAREHOLDERS' MEETING

The annual shareholders' meeting will be held on Tuesday, May 9, 2017, at 4:00 p.m. EDT at the St. James's Club
1145 Union Avenue, Montréal, Quebec H3B 3C2

Innergex Renewable Energy Inc.'s Notice of Annual Meeting of Shareholders and Management Information Circular – Solicitation of Proxies will be available no later than April 11, 2017, on the Investor page of our website. Hard copies will be available upon request.

INVESTOR RELATIONS

To obtain additional financial information, corporate updates, or recent news releases and investor presentations, please contact:

Karine Vachon

Director – Communications
Tel.: 450 928-2550, ext. 222, kvachon@innergex.com

Or visit innergex.com.

Ce document est disponible en français.
Pour la version numérique, visitez notre site web à innergex.com.
Pour la version papier, communiquez avec nous à info@innergex.com.



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Sustainable Development.

