

INNERGEX

Renewable Energy.
Sustainable Development.

QUARTERLY REPORT 2015

FOR THE PERIOD ENDED **JUNE 30, 2015**

These condensed consolidated financial statements have neither been audited nor reviewed by the Corporation's independent auditors.

2015



MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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 and British Columbia and in 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 under the symbol INE.DB.

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.

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 three- and six-month periods ended June 30, 2015, and reflects all material events up to August 5, 2015, 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 unaudited condensed consolidated financial statements and the accompanying notes for the three- and six-month periods ended June 30, 2015, and with the Corporation's *Financial Review* at December 31, 2014. 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 www.sedar.com or on the Corporation's website at www.innergex.com.

The unaudited condensed consolidated financial statements attached to this MD&A and the accompanying notes for the three- and six-month periods ended June 30, 2015, along with the 2014 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.

Q2 2015 HIGHLIGHTS

- Production was 93% of long-term average ("LTA") due mainly to below-average water flows in British Columbia
- Revenues rose 1% to \$70.2 million compared with the same period last year
- Adjusted EBITDA declined 1% to \$53.4 million compared with the same period last year
- A \$197.2M fixed-rate, non-recourse debt financing was closed for the 40.6 MW Big Silver Creek hydroelectric project in British Columbia
- Construction activities began for the Mesji'g Ugju's'n wind farm in Quebec

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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 certified that there were no material weaknesses relating to the DC&P and ICFR for the three-month period ended June 30, 2015. During the three-month period ended June 30, 2015, there was no change to the ICFR that has materially affected, or is reasonably likely to materially affect, the Corporation's ICFR.

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, estimated project costs, expected project financing, use of the proceeds of the announced 4.25% convertible debenture offering and redemption of the 5.75% convertible debentures outstanding, to inform readers of the potential financial impact of expected results, of the expected commissioning of Development Projects, of the announced offering and of the notice of redemption of outstanding debentures, 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; health, safety and environmental risks; uncertainties surrounding the development of new facilities; obtainment of permits; variability of installation performance and related penalties; 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; the ability to secure new power purchase agreements or to renew any power purchase agreement; changes in governmental support to increase electricity to be generated from renewable sources by independent power producers; 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; 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; 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*; foreign exchange fluctuations; 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

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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>
<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*, 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>*Excludes Umbata Falls and Viger-Denonville, which are accounted for using the equity method.</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>

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

Principal Assumptions	Principal Risks and Uncertainties
<p>Projected Free Cash Flow</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) and 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>Adjusted EBITDA below expectations caused mainly by the risks and uncertainties mentioned above and by higher prospective project expenses</p> <p>Projects 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>Expected project financing or refinancing of Operating Facilities</p> <p>The Corporation provides indications of its intention to secure non-recourse project-level debt financing for its Development Projects and to refinance its Operating Facilities when the term of the existing project-level debt ends, based on the expected costs and revenues of each project, the expected remaining PPA term, an initial leverage ratio of approximately 75%-85% and the Corporation's extensive experience in project financing and knowledge of capital markets.</p>	<p>Interest rate fluctuations and financing risk</p> <p>Financial leverage and restrictive covenants governing current and future indebtedness</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>
<p>Intention to gain a foothold in target markets internationally</p> <p>The Corporation provides indications of its intention to establish a presence in target markets internationally in the coming years, based on its growth strategy.</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> <p>Foreign exchange fluctuations</p>

NON IFRS MEASURES

This MD&A has been prepared in accordance with International Financial Reporting Standards ("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, 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 "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) and 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 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 and updated information on the Corporation is available through its regular press releases, quarterly financial statements and *Annual Information Form*, which can be found on the Corporation's website at www.innergex.com and on the SEDAR website at www.sedar.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.

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

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:

- 33 facilities in commercial operation (the “Operating Facilities”). Commissioned between November 1994 and January 2014, the facilities have a weighted average age of approximately 7.6 years. They sell the generated power under long-term Power Purchase Agreements (“PPA”) that have a weighted average remaining life of 18.3 years (based on gross long-term average production);
- Five projects scheduled to begin commercial operation between 2015 and 2016 (the “Development Projects”). Construction is ongoing at four of the projects; and
- 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.

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:	547.0 MW	168.5 MW	1,020.0 MW
Net capacity ¹ :	417.7 MW	132.9 MW	970.0 MW
Wind			
Gross capacity:	614.1 MW	150.0 MW	2,270.0 MW
Net capacity ¹ :	236.3 MW	75.0 MW	2,180.0 MW
Solar			
Gross capacity:	33.2 MW	-	40.0 MW
Net capacity ¹ :	33.2 MW	-	40.0 MW
Total			
Gross capacity:	1,194.3 MW	318.5 MW	3,330.0 MW
Net capacity ¹ :	687.2 MW	207.9 MW	3,190.0 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.

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

Dividend Policy

The Corporation intends to distribute an annual dividend of \$0.62 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.

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 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.

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 26 hydroelectric facilities, which draw on 23 watersheds, six wind farms and one 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 and charts:

In GWh and %	Consolidated long-term average production ¹								
	Q1		Q2		Q3		Q4		Total
HYDRO	321.9	14%	815.9	35%	724.3	31%	472.8	20%	2,334.9
WIND	213.6	32%	142.8	21%	112.8	17%	207.3	31%	676.5
SOLAR ²	7.3	19%	12.5	33%	12.6	33%	5.8	15%	38.2
Total	542.8	18%	971.2	32%	849.7	28%	685.8	22%	3,049.5

1. Annualized long-term average production ("LTA") for the facilities in operation at August 5, 2015. 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.

2. Solar farm LTA diminishes over time due to expected solar panel degradation.

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

SECOND QUARTER UPDATE

Summary of operating and financial performance

	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
Power generated (MWh)	904,172	898,722	1,562,600	1,315,931
LTA (MWh)	971,195	934,874	1,513,964	1,433,838
Production as percentage of LTA	93%	96%	103%	92%
Revenues	70,171	69,649	127,898	107,248
Adjusted EBITDA	53,415	53,817	96,370	79,146
Adjusted EBITDA Margin	76.1%	77.3%	75.3%	73.8%
Net earnings (loss)	22,506	(14,189)	(15,304)	(52,294)
Dividend declared per Class A Preferred Share	0.3125	0.3125	0.6250	0.6250
Dividend declared per Class C Preferred Share	0.359375	0.359375	0.718750	0.718750
Dividend declared per common share	0.1550	0.1500	0.3100	0.3000

For the three-month period ended June 30, 2015, production was 93% of the LTA, due mainly to below-average water flows at the six 50%-owned facilities of the Harrison Hydro Limited Partnership in British Columbia, which more than offset above-average wind regimes and solar irradiation. Production and revenues increased by 1%, while Adjusted EBITDA decreased by 1% compared with the same period last year, due mainly to higher wind regimes and to the contribution of the SM-1 hydroelectric facility acquired in June 2014, which were offset by lower water flows in British Columbia.

For the six-month period ended June 30, 2015, production was 103% of the LTA, due mainly to average water flows in almost all markets as well as above-average wind regimes. Production and revenues increased 19% and Adjusted EBITDA increased 22% compared with the same period last year, due mainly to higher water flows in British Columbia, higher wind regimes and the contribution of the SM-1 hydroelectric facility acquired in June 2014.

The recognition of net earnings for the three-month period ended June 30, 2015, is attributable in part to a \$43.1 million unrealized gain on derivative financial Instruments ("Derivatives") resulting from the reversal of the unrealized loss accrued upon settlement of the Big Silver Creek bond forward contracts as well as the increase in benchmark interest rates during the quarter, partly offset by a \$24.5 million realized loss on Derivatives resulting from the settlement of these Derivatives. The recognition of a \$14.2 million net loss for the same period last year is attributable to a \$29.1 million unrealized net loss on Derivatives resulting from an decrease in benchmark interest rates.

The recognition of a net loss the six-month period ended June 30, 2015 is attributable mainly to a \$92.6 million realized loss on Derivatives resulting from the settlement of the Boulder Creek, Upper Lillooet River and Big Silver Creek bond forward contracts, partly offset by a \$55.1 million reversal of the unrealized loss accrued upon settlement of these Derivatives. The recognition of a \$52.3 million net loss for the same period last year is attributable to a \$65.2 million unrealized net loss on Derivatives resulting from an decrease in benchmark interest rates.

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Excluding the realized loss on Derivatives and the unrealized net gain or loss on Derivatives and the related income taxes, the net earnings for the three- and six-month periods ended June 30, 2015, would have been \$7.4 million and \$13.6 million respectively, compared with net earnings of \$8.5 million and a net loss of \$2.8 million respectively in 2014. The slight decrease in net earnings during the three-month period would be due mainly to higher prospective project expenses and the increase in earnings for the six-month period would be due mainly to the increase in production.

Impact on net earnings (loss) of the realized loss and the unrealized net (gain) loss on derivative financial instruments	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
Net earnings (loss)	22,506	(14,189)	(15,304)	(52,294)
<i>Add (Subtract):</i>				
Unrealized net (gain) loss on derivative financial instruments	(43,096)	29,147	(55,081)	65,177
Realized loss on derivative financial instruments	24,527	—	92,574	—
Income tax expense (recovery) related to above items	4,084	(6,908)	(9,499)	(17,272)
Share of unrealized net (gain) loss on derivative financial instruments of joint ventures, net of related income tax	(603)	485	896	1,598
	7,418	8,535	13,586	(2,791)

Payout Ratio

	Trailing 12 months ended June 30	
	2015	2014
Free Cash Flow ¹	85,733	48,347
Payout Ratio ¹	72%	118%

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.

For the trailing 12-month period ended June 30, 2015, the dividends on common shares declared by the Corporation corresponded to 72% of Free Cash Flow, compared with 118% for the corresponding prior 12-month period. The positive variation is due mainly to the increase in Free Cash Flow, resulting from greater cash flows from operating activities before realized losses on Derivatives and to the cash receipt for wheeling services provided by the Harrison Hydro L.P. to other facilities owned by the Corporation, partly offset by greater scheduled debt principal payments and the increase in dividends resulting from the higher number of common shares outstanding by virtue of the Dividend Reinvestment Plan, the issuance of 4,027,051 common shares of the Corporation in June 2014 to pay for the acquisition of the SM-1 hydroelectric facility and the conversion of a portion of the convertible debentures during the first quarter of 2015.

Closing of the Project Financing for the Big Silver Creek Project

On June 22, 2015, the Corporation announced the closing of a \$197.2 million non-recourse construction and term project financing for the Big Silver Creek run-of-river hydroelectric project located in British Columbia. The loan comprises three facilities or tranches:

- A \$51.0 million construction loan carrying a fixed interest rate of 4.56%; following the start of the facility's commercial operations, it will convert into a 25-year term loan and the principal will be amortized over a 18-year period starting in the seventh year;
- A \$128.3 million construction loan carrying a fixed interest rate of 4.76%; following the start of the facility's commercial operations, 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 \$17.9 million construction loan carrying a fixed interest rate of 4.76%; following the start of the facility's commercial operations, it will convert into a 40-year term loan and its principal will be reimbursed at maturity.

The financing was arranged by The Manufacturers Life Insurance Company as agent and lead lender with the Caisse de Dépôt et placement du Québec as lender.

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

Concurrent with the closing of the financing, the Corporation settled the bond forward contracts used to hedge the interest rate prior to the closing of the financing in order to protect the expected returns on the projects, giving rise to a \$24.7 million realized loss on Derivatives. This is equivalent to a fixed interest rate of approximately 5.75% on the loans and well within the parameters of the economic model for this project. Please refer to the "Financial Position" section for more information.

Revolving Term Credit Facility Decreased as Planned

On June 30, 2015, the Corporation's revolving term credit facility went from \$475 million back to \$425 million as per the terms of the amending agreement executed on November 6, 2014, to temporarily increase the facility in order to provide greater financing flexibility until such time as the Corporation closed the project-level financings that remained to be put in place.

PROSPECTIVE PROJECTS

With a combined potential net installed capacity of 3,190 MW (gross 3,330 MW), all the Prospective Projects are in the preliminary development stage. Some Prospective Projects are targeted toward specific future requests for proposals, such as the current request for proposals for new wind and solar energy in Ontario, or Standing Offer Programs, such as the one in British Columbia. Other Prospective Projects 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. There is no certainty that any Prospective Project will be realized.

DEVELOPMENT PROJECTS

PROJECTS UNDER CONSTRUCTION	Ownership %	Gross installed capacity (MW)	Expected COD ¹	Gross estimated LTA ^{2,3} (GWh)	PPA term (years)	Total project costs		Expected year-one	
						Estimated ² (\$M)	As at June 30 (\$M)	Revenues ² (\$M)	Adjusted EBITDA ² (\$M)
<i>HYDRO (British Columbia)</i>									
Tretheway Creek	100.0	21.2	2015	81.0	40	111.5	92.9	9.0	7.5
Upper Lillooet River	66.7	81.4	2016	334.0	40	315.0 ⁴	167.7 ⁴	33.0 ⁴	27.5 ⁴
Boulder Creek	66.7	25.3	2016	92.5	40	119.2 ⁴	50.5 ⁴	9.0 ⁴	7.5 ⁴
Big Silver Creek	100.0	40.6	2016	139.8	40	216.0	141.0	18.0	15.0
<i>WIND (Quebec)</i>									
Mesgi'g Ujju's'n	50.0	150.0	2016	515.0	20	340.0 ⁴	34.4 ⁴	55.0 ⁴	48.0 ⁴
		318.5		647.8		1,101.7	486.5	124.0	105.5

1. Commercial operation date.

2. This information is intended to inform readers of the projects' potential impact on the Corporation's results. Actual results may vary. There have been no changes to these estimates since December 31, 2014.

3. 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.

4. Corresponding to 100% of this facility.

Tretheway Creek

The construction of this hydroelectric facility began in October 2013. As at the date of this MD&A, the intake and penstock were almost complete; installation of turbines and generators was complete and installation of the ancillary system was underway; and installation of the transmission line and switch yard was almost complete, with energization expected in September. On September 30, 2014, the Corporation closed a \$92.9 million non-recourse construction and term project financing for the project. Commercial operation of the facility is expected to begin before the end of 2015.

Upper Lillooet River and Boulder Creek (the "Upper Lillooet Hydro Project" or "ULHP")

The construction of the Upper Lillooet River and Boulder Creek hydroelectric facilities began in October 2013. Construction activities resumed in April 2015 after being halted for the winter as planned. Installation of the joint transmission line and construction of both powerhouses were progressing; and excavation and consolidation of both tunnels were ongoing. On March 17, 2015, the Corporation announced the closing of \$491.6 million non-recourse construction and term project financing for both these projects.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

On July 4, 2015, all personnel were safely evacuated from the ULHP construction site as a result of a forest fire, which swept through the area on July 5. The construction site is currently under a BC Wildfire Services area restriction order. Since the evacuation, the Corporation and its contractors have had limited access to the site and have not been able to make a full assessment of the potential damages to the Upper Lillooet River and Boulder Creek projects. Nonetheless, the forest fire does not appear to have reached the major infrastructure areas, except for a portion of the transmission line between the two powerhouses. As at the date of this MD&A, the project management team and contractors were working closely with the BC Wildfire Service to identify safe areas to potentially reactivate construction activities in the coming weeks. The priority has been to have qualified professionals conduct preliminary air quality testing, geohazard assessments and danger tree assessments. The BC Wildfire Service was also using the construction camp as a base for firefighting activities in the area.

The ULHP has insurance coverage for this kind of natural disaster, for both damages and delays incurred. The process of quantifying damages, adjusting the construction schedule and expected commissioning date and processing the insurance claims has started, but will take time to complete. The Corporation expects to be indemnified and to suffer no significant adverse financial consequences from the forest fire.

Big Silver Creek

Construction of this hydroelectric facility began in June 2014. As of the date of this MD&A, excavation of the tunnel had been completed and penstock installation was almost complete; construction of the powerhouse, while the design and procurement of electrical equipment and procurement of the turbines were all progressing. On June 22, 2015, the Corporation announced the closing of \$197.2 million non-recourse construction and term project financing for this project.

Mesgi'g Ugju's'n

Construction of this wind farm began in May 2015. As at the date of this MD&A, access roads were being built or upgraded and turbine sites were being prepared for the concrete foundations. Furthermore, the long-term financing for this project is expected to close during the third quarter of 2015. In April 2014, a hedging program had for all intents and purposes been completed to fix the interest rate for this project's financing through the use of derivative financial instruments until the closing of the project-level financing. This effectively eliminated the project's exposure to interest rate fluctuations. During the second quarter, the exchange rate for the euro portion of the turbine supply contract was fixed, eliminating any further euro exposure.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

OPERATING RESULTS

Production of electricity for the second quarter was 93% of the long-term average due mainly to below-average water flows in British Columbia.

Production increased 1%, revenues increased 1% and Adjusted EBITDA decreased 1% for the second quarter of 2015 compared with the same period last year. These results are attributable mainly to higher wind regimes as well as the contribution of the SM-1 hydroelectric facility acquired in June 2014, offset by lower water flows in British Columbia.

The Corporation's operating results for the three- and six-month periods ended June 30, 2015, are compared with the operating results for the same periods in 2014.

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 ("LTA") for each hydroelectric facility, wind farm and solar farm. These long-term averages are determined to allow long-term forecasting of the expected power generation for each of the Corporation's facilities.

Three months ended June 30	2015				2014			
	Production (MWh) ¹	LTA (MWh)	Production as a % of LTA	Average price (\$/MWh) ²	Production (MWh) ¹	LTA (MWh)	Production as a % of LTA	Average price (\$/MWh) ²
HYDRO								
Quebec	221,063	214,050	103%	71.96	183,152	177,639	103%	71.74
Ontario	20,459	20,805	98%	65.72	19,120	20,805	92%	65.80
British Columbia	460,174	564,115	82%	70.14	545,089	564,115	97%	70.79
United States	17,283	16,956	102%	77.91	20,395	16,956	120%	66.95
Subtotal	718,980	815,926	88%	70.76	767,756	779,515	98%	70.79
WIND								
Quebec	171,835	142,805	120%	79.65	116,747	142,805	82%	79.90
SOLAR								
Ontario	13,357	12,464	107%	420.00	14,219	12,554	113%	420.00
Total	904,172	971,195	93%	77.61	898,722	934,874	96%	77.50

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.

2. Including all payment adjustments related to the month, day and hour of delivery, to environmental attributes and to the ecoENERGY Initiative, as applicable.

During the three-month period ended June 30, 2015, the Corporation's facilities produced 904 GWh of electricity or 93% of the LTA of 971 GWh. Overall, the hydroelectric facilities produced 88% of their LTA, due mainly to below-average water flows at the six 50%-owned facilities of the Harrison Hydro Limited Partnership in British Columbia, which more than offset average water flows in Quebec and Ontario. Overall, the wind farms produced 120% of their LTA, due mainly to above-average wind regimes during the quarter. The Stardale solar farm produced 107% of its LTA, due mainly to above-average solar regimes. For more information on operating segment results, please refer to the "Segment Information" section.

The production increase of 1% compared with the same period last year is attributable mainly to higher wind regimes as well as the contribution of the SM-1 hydroelectric facility acquired in June 2014, which were offset by lower water flows in British Columbia.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Six months ended June 30	2015				2014			
	Production (MWh) ¹	LTA (MWh)	Production as a % of LTA	Average price (\$/MWh) ²	Production (MWh) ¹	LTA (MWh)	Production as a % of LTA	Average price (\$/MWh) ²
HYDRO								
Quebec	340,203	338,220	101%	78.00	257,315	257,952	100%	79.23
Ontario	39,417	45,099	87%	67.80	44,185	45,099	98%	68.39
British Columbia	751,758	729,604	103%	76.38	626,125	729,604	86%	73.31
United States	25,894	24,883	104%	77.72	26,700	24,883	107%	65.88
Subtotal	1,157,272	1,137,806	102%	76.59	954,325	1,057,538	90%	74.47
WIND								
Quebec	385,138	356,410	108%	79.92	339,973	356,410	95%	79.70
SOLAR								
Ontario	20,190	19,748	102%	420.00	21,633	19,890	109%	420.00
Total	1,562,600	1,513,964	103%	81.85	1,315,931	1,433,838	92%	81.50

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.

2. Including all payment adjustments related to the month, day and hour of delivery, to environmental attributes and to the ecoENERGY Initiative, as applicable.

During the six-month period ended June 30, 2015, the Corporation's facilities produced 1,563 GWh of electricity or 103% of the LTA of 1,514 GWh. Overall, the hydroelectric facilities produced 102% of their LTA, due mainly to average water flows in almost all markets. Overall, the wind farms produced 108% of their LTA, due mainly to above-average wind regimes. The Stardale solar farm produced 102% of its LTA, due mainly to average solar regimes. For more information on operating segment results, please refer to the "Segment Information" section.

The production increase of 19% compared with the same period last year is attributable mainly to higher water flows in British Columbia, higher wind regimes and the contribution of the SM-1 hydroelectric facility acquired in June 2014.

The overall performance of the Corporation's facilities for the three- and six-month periods ended June 30, 2015, 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)

Financial Results

	Three months ended June 30				Six months ended June 30			
	2015		2014		2015		2014	
Revenues	70,171	100.0%	69,649	100.0%	127,898	100.0%	107,248	100.0%
Operating expenses	11,100	15.8%	11,025	15.8%	20,347	15.9%	18,670	17.4%
General and administrative expenses	3,726	5.3%	3,330	4.8%	7,898	6.2%	6,884	6.4%
Prospective project expenses	1,930	2.8%	1,477	2.1%	3,283	2.6%	2,548	2.4%
Adjusted EBITDA	53,415	76.1%	53,817	77.3%	96,370	75.3%	79,146	73.8%
Finance costs	24,540		24,469		40,957		44,133	
Other net expenses (revenues)	24,065		(739)		92,479		(912)	
Depreciation and amortization	18,781		18,931		37,578		37,778	
Share of (earnings) loss of joint ventures (note 1)	(2,200)		(204)		(1,056)		792	
Unrealized net (gain) loss on derivative financial instruments	(43,096)		29,147		(55,081)		65,177	
Income tax (recovery of)	8,819		(3,598)		(3,203)		(15,528)	
Net earnings (loss)	22,506		(14,189)		(15,304)		(52,294)	
Net earnings (loss) attributable to:								
Owners of the parent	22,808		(7,835)		(6,336)		(35,254)	
Non-controlling interests	(302)		(6,354)		(8,968)		(17,040)	
	22,506		(14,189)		(15,304)		(52,294)	
Basic net earnings (loss) per share (\$)	0.21		(0.10)		(0.10)		(0.40)	

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 June 30, 2015, the Corporation recorded revenues of \$70.2 million, compared with \$69.6 million in 2014. This 1% increase is attributable mainly to higher wind regimes higher and the contribution of the SM-1 hydroelectric facility acquired in June 2014, which were offset by lower water flows in British Columbia.

For the six-month period ended June 30, 2015, the Corporation recorded revenues of \$127.9 million, compared with \$107.2 million in 2014. This 19% increase is attributable mainly to higher water flows in British Columbia, higher wind regimes and the contribution of the SM-1 hydroelectric facility acquired in June 2014.

Expenses

Operating expenses consist primarily of the operators' salaries, insurance premiums, expenditures related to operation and maintenance, property taxes and royalties. For the three- and six-month periods ended June 30, 2015, the Corporation recorded operating expenses of \$11.1 million and \$20.3 million respectively (\$11.0 million and \$18.7 million respectively in 2014). This increase of 1% for the quarter and 9% for the six-month period is due mainly to varying costs associated with the production levels in British Columbia as well as the addition of the SM-1 hydroelectric facility.

General and administrative expenses consist primarily of salaries, professional fees and office expenses. For the three- and six-month periods ended June 30, 2015, general and administrative expenses totalled \$3.7 million and \$7.9 million respectively (\$3.3 million and \$6.9 million respectively in 2014). This increase of 12% for the quarter and 15% for the six-month period reflects the Corporation's larger size, larger number of employees and normal salary increases.

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

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 three- and six-month periods ended June 30, 2015, prospective project expenses totalled \$1.9 million and \$3.3 million respectively (\$1.5 million and \$2.5 million respectively in 2014). This increase of 31% for the quarter and 29% for the six-month period is related mainly to the advancement of a number of prospective projects, to pursuing opportunities in new international markets and to the current request for proposals in Ontario.

Adjusted EBITDA

When evaluating its financial results, a key performance indicator for the Corporation is to measure Adjusted EBITDA, which is defined as revenues less operating expenses, general and administrative expenses and prospective project expenses.

For the three-month period ended June 30, 2015, the Corporation recorded Adjusted EBITDA of \$53.4 million, compared with \$53.8 million for the same period last year. When compared with the 1% increase in production and revenues, this 1% decrease is due mainly to the higher prospective project expenses explained above. As a result, the Adjusted EBITDA Margin fell from 77.3% to 76.1%.

For the six-month period ended June 30, 2015, the Corporation recorded Adjusted EBITDA of \$96.4 million, compared with \$79.1 million for the same period last year. This 22% increase is in line with the increase in production and revenues explained above. As a result, the Adjusted EBITDA Margin rose from 73.8% to 75.3%.

Finance Costs

Finance costs include interest on long-term debt and convertible debentures, inflation compensation interest, amortization of financing fees, amortization of the revaluation of long-term debt and convertible debentures, accretion expenses on other liabilities, and other finance costs. For the three- and six-month periods ended June 30, 2015, finance costs totalled \$24.5 million and \$41.0 million respectively (\$24.5 million and \$44.1 million respectively in 2014). While finance costs remained relatively unchanged during the second quarter compared with the same period last year, the decrease for the six-month period is due mainly to the much lower inflation compensation interest on the real-return bonds of \$0.7 million (compared with inflation compensation interest of \$5.1 million in 2014) due to deflation during the first quarter, which more than offset the increase in interest expenses resulting from higher levels of debt.

As at June 30, 2015, 99% of the Corporation's outstanding debt, including convertible debentures, was fixed or hedged against interest rate movements (95% as at June 30, 2014). The effective all-in interest rate on the Corporation's debt and convertible debentures was 5.23% as at June 30, 2015 (5.39% as at June 30, 2014). The decrease stems mainly from a lower interest rate on the real return bonds from lower inflation compensation interest, the addition of the SM-1 project debt, which bears a fixed interest rate of 3.30% following its adjustment to fair market value upon consolidation, the addition of the Tretheway Creek project debt, which bears a fixed interest rate of 4.99%, the addition of the Boulder Creek and Upper Lillooet River project debts, which bear a weighted average fixed interest rate of 4.36%, and the addition of the Big Silver Creek project debt, which bears a weighted average fixed interest rate of 4.71%. These items were partly offset by the addition of the debenture on the SM-1 facility, which bears a fixed interest rate of 8.00%.

Other Net Expenses (Revenues)

Other net expenses or revenues include transaction costs, realized losses on derivative financial instruments, realized losses on foreign exchange, and other net revenues. For the three- and six-month periods ended June 30, 2015, the Corporation recorded other net expenses of \$24.1 million and \$92.5 million (other net revenues of \$0.7 million and \$0.9 million respectively in 2014). The change for the three-month period stems mainly from the \$24.7 million realized loss on Derivatives resulting from the settlement of the Big Silver Creek bond forward contracts upon closing of the project's financing. The change for the six-month period stems mainly from these same items and from the \$68.0 million realized loss on Derivatives resulting from the settlement of the Boulder Creek and Upper Lillooet River bond forward contracts upon closing of the projects' financing in March.

Depreciation and Amortization

For the three- and six-month periods ended June 30, 2015, depreciation and amortization expenses totalled \$18.8 million and \$37.6 million respectively (\$18.9 million and \$37.8 million respectively in 2014).

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Share of Earnings of Joint Ventures

For the three- and six-month periods ended June 30, 2015, the Corporation recorded a share of earnings of joint ventures of \$2.2 million and \$1.1 million respectively (share of net earnings of \$0.2 million and share of net loss of \$0.8 million respectively in 2014). Please refer to the "Investments in Joint Ventures" section for more information.

Derivative Financial Instruments

The Corporation uses derivative financial instruments to manage its exposure to the risk of rising interest rates on its existing and upcoming debt financing and its exposure to the risk of rising foreign currencies on its equipment purchases ("Derivatives"), thereby protecting the economic value of its projects. Innergex also has derivative financial instruments embedded in some of its PPAs (the minimum 3% inflation clause applied to the selling price). The Corporation does not own or issue financial instruments for speculative purposes. Since bond forwards are linked to long-term bonds and interest rate swaps are entered into for a term equal in length to the underlying debt amortization schedule, which can reach 30 years, a Derivative's fair market value can be very sensitive to quarter-to-quarter changes in long-term interest rates.

Since October 2014, the Corporation has used hedge accounting in the treatment of new Derivatives and, since April 1, 2015, it has also decided to use hedge accounting in the treatment of 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 will be 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.

For the three- and six-month periods ended June 30, 2015, the Corporation recognized an unrealized net gain on Derivatives of \$43.1 million and \$55.1 million respectively, 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 and the Big Silver Creek project financing in June and to the increase in benchmark interest rates during the second quarter. For the corresponding periods last year, Innergex recognized an unrealized net loss on Derivatives of \$29.1 million and \$65.2 million respectively, due mainly to the decrease in benchmark interest rates since December 31, 2013.

In March 2015, the Corporation announced the closing of a \$491.6 million financing and concurrently settled the corresponding bond forward contracts for the Boulder Creek and Upper Lillooet River hydroelectric projects; in June 2015, it announced the closing of a \$197.2 million financing and concurrently settled the corresponding bond forward contracts for the Big Silver Creek hydroelectric project. As at the date of this MD&A, the Corporation had entered into derivative financial instruments totalling \$190.0 million; upon the closing of the fixed-rate or interest-swapped long-term financing for the Mesgi'g Ugju's'n project, the Corporation will settle the corresponding derivative financial instruments, which will result in a realized gain or loss on derivative financial instruments. This gain or loss will serve to offset a higher or lower interest rate on the project-level debt. In the case of the Big Silver Creek project debt, the \$24.7 million realized loss will be offset by the lower weighted average fixed interest rate of 4.71% on the project debt. As at June 30, 2015, the Derivatives to be settled upon the closing of financing had a negative market value of \$21.7 million.

Income Tax Expense (Recovery)

For the three-month period ended June 30, 2015, the Corporation recorded a current income tax expense of \$0.9 million (\$0.8 million in 2014) and a deferred income tax expense of \$7.9 million (income tax recovery of \$4.4 million in 2014). The deferred income tax expense is due mainly to the \$43.1 million unrealized gain on Derivatives resulting from the reversal of the unrealized loss accrued upon settlement of Derivatives and from the increase in benchmark interest rates during the quarter, partly offset by the \$24.5 million realized loss on Derivatives resulting from the settlement of these Derivatives. The recognition of a deferred, rather than current, income tax expense is due mainly to the existence of accumulated tax losses. The deferred tax recovery for the same period last year is due mainly to an unrealized loss on Derivatives resulting from a decrease in benchmark interest rates.

For the six-month period ended June 30, 2015, the Corporation recorded a current income tax expense of \$1.6 million (\$1.6 million in 2014) and a deferred income tax recovery of \$4.8 million (\$17.1 million in 2014). The deferred income tax recovery is due mainly to the \$92.5 million realized loss on Derivatives resulting from the settlement of Derivatives, partly offset by the \$55.1 million reversal of the unrealized loss accrued upon settlement of these Derivatives. The deferred tax recovery for the same period last year is due mainly to an unrealized net loss on Derivatives resulting from an decrease in benchmark interest rates.

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Net Earnings (Loss)

For the three-month period ended June 30, 2015, the Corporation recorded net earnings of \$22.5 million (basic and diluted net earnings of \$0.21 and \$0.20 per share), compared with a net loss of \$14.2 million (basic and diluted net loss of \$0.10 per share) in 2014. This is attributable in part to the \$43.1 million unrealized gain on Derivatives resulting from the reversal of the unrealized loss accrued upon settlement of the Big Silver Creek bond forward contracts as well as the increase in benchmark interest rates during the quarter, partly offset by the \$24.5 million realized loss resulting from the settlement of these Derivatives. The recognition of a \$14.2 million net loss for the same period last year is attributable to a \$29.1 million unrealized net loss on derivative financial instruments resulting from a decrease in benchmark interest rates.

For the six-month period ended June 30, 2015, the Corporation recorded a net loss of \$15.3 million (basic and diluted net loss of \$0.10 per share), compared with a net loss of \$52.3 million (basic and fully diluted net loss of \$0.40 per share) in 2014. This is attributable mainly to a \$92.6 million realized loss on Derivatives resulting from the settlement of the Boulder Creek, Upper Lillooet River and Big Silver Creek bond forward contracts, partly offset by the \$55.1 million reversal of the unrealized loss accrued upon settlement of these Derivatives. The recognition of a \$52.3 million net loss for the same period last year is attributable to a \$65.2 million unrealized net loss on Derivatives resulting from an decrease in benchmark interest rates.

Main items explaining the change in net earnings for the three-month period ended June 30, 2015, compared with the net loss for the corresponding period in 2014

Main items – Positive impact	Change	Explanation
Unrealized net gain on derivative financial instruments	72,243	Due mainly to the reversal of an unrealized loss upon the settlement of the Big Silver Creek bond forward contracts and to an increase in benchmark interest rates during the quarter, compared with an unrealized net loss on Derivatives resulting from an decrease in benchmark interest rates for the same period last year.
Share of earnings of joint ventures	1,996	Due to the recognition of higher net earnings from joint ventures, compared with the same period last year.
Main items – Negative impact	Change	Explanation
Other net expenses (revenues)	24,804	Due mainly to a realized net loss on Derivatives of \$24.7 million resulting from the settlement of the Big Silver Creek bond forwards upon closing of the project financing.
Income tax expense	12,325	Due mainly to the unrealized net gain on Derivatives mentioned above

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Main items explaining the change in a net loss for the six-month period ended June 30, 2015, compared with the net loss for the corresponding period in 2014

Main items – Positive impact	Change	Explanation
Revenues	20,650	Due mainly to the increase in production resulting from higher water flows in British Columbia, higher wind regimes and the contribution of the SM-1 hydroelectric facility acquired in June 2014.
Unrealized net gain on derivative financial instruments	120,258	Due mainly to the reversal of unrealized losses upon the settlement of the Boulder Creek, Upper Lillooet River and Big Silver Creek bond forward contracts, compared with an unrealized net loss on Derivatives resulting from a decrease in benchmark interest rates for the same period last year.
Main items – Negative impact	Change	Explanation
Other net expenses (revenues)	93,391	Due mainly to a realized net loss on Derivatives of \$92.6 million resulting from the settlement of the Boulder Creek, Upper Lillooet River and Big Silver Creek bond forwards upon closing of the project financings during the first half of 2015.
Income tax expense	12,417	Due mainly to the recognition of an unrealized gain on Derivatives mentioned above, partly offset by the recognition of a realized net loss on Derivatives, also mentioned above

Non-controlling Interests

Non-controlling interests are related to the six hydroelectric facilities of the Harrison Hydro Limited Partnership, the Creek Power Inc. subsidiaries, the Kwoiek Creek Resources Limited Partnership, the Mesgi'g Ugju's'n (MU) Wind Farm, L.P., the Magpie Limited Partnership, the Innergex Sainte-Marguerite S.E.C. entity and their respective general partners. For the three- and six-month periods ended June 30, 2015, the Corporation allocated losses of \$0.3 million and \$9.0 million respectively to non-controlling interests (losses of \$6.4 million and \$17.0 million respectively in 2014). Please refer to the "Non-Wholly Owned Subsidiaries" section for more information.

Number of Shares Outstanding

Weighted average number of common shares outstanding (000s)	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
Weighted average number of common shares	101,235	96,513	101,071	96,172
Effect of dilutive elements on common shares ¹	7,803	7,760	7,875	7,738
Diluted weighted average number of common shares	109,038	104,273	108,946	103,910

1. Stock options for which the exercise price was above the average market price of common shares were excluded from the calculation of diluted weighted average number of shares outstanding. For the three- and six-month periods ended June 30, 2015, none of the 3,425,684 stock options (1,243,000 of the 3,073,684 stock options for the three- and six-month periods ended June 30, 2014) were excluded and the 7,472,113 shares that can be issued on conversion of convertible debentures were dilutive (7,558,684 shares were dilutive in 2014).

As at June 30, 2015, the Corporation had a total of 101,268,879 common shares, 79,578 convertible debentures, 3,400,000 Series A Preferred Shares, 2,000,000 Series C Preferred Shares and 3,425,684 stock options outstanding. As at June 30, 2014, it had 100,085,875 common shares, 80,500 convertible debentures, 3,400,000 Series A Preferred Shares, 2,000,000 Series C Preferred Shares and 3,073,684 stock options outstanding. The increase in the number of common shares since June 30, 2014, is attributable mainly to the Dividend Reinvestment Plan ("DRIP") and to the conversion of a portion of convertible debentures during the first quarter of 2015. The decrease in the number of convertible debentures during the six-month period is due to the conversion of a portion of debentures at the request of holders.

As at the date of this MD&A, the Corporation had a total of 101,595,842 common shares, 78,452 convertible debentures, 3,400,000 Series A Preferred Shares, 2,000,000 Series C Preferred Shares and 3,425,684 stock options outstanding. The increase in the number of common shares since June 30, 2015, is attributable to the DRIP and to the conversion of a portion of convertible debentures.

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

LIQUIDITY AND CAPITAL RESOURCES

For the six-month period ended June 30, 2015, the Corporation used cash flows from operating activities of \$31.6 million, compared with generating \$19.7 million for the same period last year. During this period, the Corporation generated funds from financing activities of \$255.5 million and used funds for investing activities of \$233.7 million, mainly to pay for the construction of its Development Projects. As at June 30, 2015, the Corporation had cash and cash equivalents amounting to \$45.0 million, compared with \$54.6 million as at December 31, 2014.

Cash Flows from Operating Activities

For the six-month period ended June 30, 2015, cash flows used by operating activities totalled \$31.6 million (\$19.7 million generated in 2014). The change is attributable mainly to the \$92.6 million realized loss on derivative financial instruments, which more than offset the increase in revenues.

Cash Flows from Financing Activities

For the six-month period ended June 30, 2015, cash flows generated by financing activities totalled \$255.5 million (\$31.6 million generated in 2014). The change is attributable mainly to a \$289.5 million net increase in long-term debt, resulting mainly from the addition of the Boulder Creek, Upper Lillooet River and Big Silver Creek project-level debts that was partly offset by a \$169.1 million refund on the revolving term credit facility using a portion of proceeds from these projects' debts.

Use of Financing Proceeds	Six months ended June 30	
	2015	2014
Proceeds from issuance of long-term debt	686,911	131,166
Repayment of long-term debt	(389,246)	(71,639)
Payment of deferred financing costs	(8,134)	(157)
Proceeds from exercise of share options	394	—
Generation of financing proceeds	289,925	59,370
Payment of other liabilities	—	(113)
Payment of issuance cost of common and preferred shares	—	(11)
Business acquisitions	—	(37,901)
(Increase) decrease of restricted cash and short-term investments	(93,334)	22,751
Net funds (invested into) withdrawn from the reserve accounts	(2,923)	1,715
Additions to property, plant and equipment	(108,005)	(58,273)
Additions to project development costs	(29,104)	(15,494)
Withdrawals from joint ventures	—	2,259
(Additions to) reductions to other long-term assets	(399)	26,868
Net use of financing proceeds	(233,765)	(58,199)
Increase in working capital	56,160	1,171

During the six-month period ended June 30, 2015, the Corporation borrowed \$686.9 million mainly to pay for construction of the Upper Lillooet River, Boulder Creek, Big Silver Creek and Mesgi'g Ugju's'n projects, the reduction in drawings under the revolving term credit facility and the \$92.6 million realized loss on derivative financial instruments resulting from the settlement of the Boulder Creek, Upper Lillooet River and Big Silver Creek bond forward contracts. It also increased restricted cash by \$93.3 million, as the use of cash to pay for construction costs related to the Tretheway Creek, Boulder Creek, Upper Lillooet River and Big Silver Creek projects was more than offset by the addition of proceeds received from the Boulder Creek, Upper Lillooet River and Big Silver Creek project debts. During the corresponding period of 2014, the Corporation borrowed \$131.2 million to pay for the construction of the Tretheway Creek, Boulder Creek, Upper Lillooet River and Big Silver Creek projects, for the pre-construction development of the Mesgi'g Ugju's'n project and for the acquisition of the SM-1 hydroelectric facility and to repay long-term debt; it also used \$22.8 million in restricted cash mainly to pay accounts payable related to the Kwoiek Creek and Northwest Stave River facilities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Cash Flows from Investing Activities

For the six-month period ended June 30, 2015, cash flows used by investing activities amounted to \$233.7 million (\$58.0 million in 2014). During this period, additions to property, plant and equipment accounted for a \$108.0 million outflow (\$58.3 million outflow in 2014), an increase in restricted cash and short-term investments accounted for a \$93.3 million outflow (\$22.8 million inflow in 2014), additions to project development costs accounted for a \$29.1 million outflow (\$15.5 million outflow in 2014) and investments in reserve accounts accounted for a \$2.9 million outflow (\$1.7 million inflow in 2014).

Cash and Cash Equivalents

For the six-month period ended June 30, 2015, cash and cash equivalents decreased by \$9.6 million (decreased by \$6.8 million in 2014) as a net result of its operating, financing and investing activities. As at June 30, 2015, the Corporation had cash and cash equivalents amounting to \$45.0 million (\$54.6 million as at December 31, 2014).

DIVIDENDS

The following dividends were declared by the Corporation:

	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
Dividends declared on common shares ¹	15,697	15,013	31,361	29,392
Dividends declared on common shares (\$/share) ¹	0.1550	0.1500	0.3100	0.3000
Dividends declared on Series A Preferred Shares	1,063	1,063	2,125	2,125
Dividends declared on Series A Preferred Shares (\$/share)	0.3125	0.3125	0.6250	0.6250
Dividends declared on Series C Preferred Shares	719	719	1,437	1,438
Dividends declared on Series C Preferred Shares (\$/share)	0.359375	0.359375	0.718750	0.718750

1. On February 24, 2015, the Board of Directors increased the annual dividend from \$0.60 to \$0.62 per common share, payable quarterly. On June 20, 2014, the Corporation issued 4,027,051 new common shares to pay for the acquisition of the SM-1 hydroelectric facility.

The following dividends will be paid by the Corporation on October 15, 2015:

Date of announcement	Record date	Payment date	Dividend per common share (\$)	Dividend per Series A Preferred Share (\$)	Dividend per Series C Preferred Share (\$)
08/05/2015	9/30/2015	10/15/2015	0.1550	0.3125	0.359375

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL POSITION

As at June 30, 2015, the Corporation had \$2,923 million in total assets, \$2,403 million in total liabilities, including \$1,937 million in long-term debt, and \$520.1 million in shareholders' equity.

Also as at June 30, 2015, the Corporation had a working capital ratio of 1.59:1.00 (0.91:1.00 as at December 31, 2014). In addition to cash and cash equivalents amounting to \$45.0 million, the Corporation had restricted cash and short-term investments of \$179.1 million and reserve accounts of \$44.3 million.

The explanations below highlight the most significant changes in statement of financial position items during the six-month period ended June 30, 2015.

Assets

Highlights of significant changes in total assets during the six-month period ended June 30, 2015

- An \$83.7 million net increase in cash and cash equivalents and restricted cash and short-term investments, due mainly to the addition of a portion of the financing received from the Boulder Creek, Upper Lillooet River and Big Silver Creek project-level debts, which more than offset the amounts drawn to pay for construction of the Tretheway Creek, Boulder Creek, Upper Lillooet River and Big Silver Creek projects as well as the Kwoiek Creek and Northwest Stave River facilities;
- A \$10.8 million increase in accounts receivable, as explained in the "Working Capital Items" section below;
- A \$123.3 million increase in property, plant and equipment, due mainly to construction of the Tretheway Creek, Boulder Creek, Upper Lillooet River, Big Silver Creek and Mesgi'g Ugju's'n projects and to the transfer of the Mesgi'g Ugju's'n project into property, plant and equipment, partly offset by depreciation and by a \$6.6 million subsequent adjustment pertaining to purchase price allocation for the SM-1 hydroelectric facility out of property, plant and equipment and into intangible assets;
- A \$4.4 million decrease in intangible assets, due mainly to amortization, partly offset by a \$6.6 million subsequent adjustment pertaining to purchase price allocation for the SM-1 hydroelectric facility into intangible assets from property, plant and equipment; and
- A \$8.7 million decrease in project development costs, due mainly to the transfer of the Mesgi'g Ugju's'n project from project development costs and into property, plant and equipment now that construction of the project has begun.

Working Capital Items

As at June 30, 2015, working capital was positive at \$103.1 million with a working capital ratio of 1.59:1.00. As at December 31, 2014, working capital was negative at \$17.4 million with a working capital ratio of 0.91:1.00. The increase in the working capital ratio over this period is due mainly to a \$93.3 million increase in restricted cash and short-term investments and a \$67.3 million decrease in the current liability portion of derivative financial instruments, which are explained separately below. These items were partly offset by a \$38.6 million increase in accounts payable, also explained separately below.

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 June 30, 2015, the Corporation had drawn \$152.8 million and US\$13.9 million as cash advances, while \$110.8 million had been used for issuing letters of credit.

Restricted cash and short-term investments amounted to \$179.1 million as at June 30, 2015, of which \$6.8 million was related to the Harrison Hydro L.P., \$0.7 million to the Kwoiek Creek loan, \$0.7 million to the Northwest Stave River loan, \$33.6 million to the Tretheway Creek loan, \$125.8 million to the Boulder Creek and Upper Lillooet River loan and \$11.6 million to the Big Silver Creek loan (compared with \$85.8 million as at December 31, 2014, of which \$6.7 million was related to the Harrison Hydro L.P., \$23.5 million to the Kwoiek Creek loan, \$6.5 million to the Northwest Stave River loan and \$49.1 million to the Tretheway Creek loan). The increase stems mainly from the addition of a portion of the financing from the Boulder Creek and Upper Lillooet River loans, which more than offset the amounts drawn to pay for construction of the Tretheway Creek, Boulder Creek, Upper Lillooet River and Big Silver Creek projects. The remainder of the Boulder Creek, Upper Lillooet River and Big Silver Creek loans will be received in monthly installments.

Accounts receivable increased from \$35.3 million as at December 31, 2014, to \$46.1 million as at June 30, 2015 due mainly to revenues generated.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Accounts payable and other payables increased from \$45.6 million as at December 31, 2014, to \$84.2 million as at June 30, 2015, due mainly to construction activities related to the Tretheway Creek, Boulder Creek, Upper Lillooet River and Big Silver Creek projects.

Derivative financial instruments included in current liabilities decreased from \$104.1 million as at December 31, 2014, to \$36.8 million as at June 30, 2015, due mainly to the decrease in bond forward contracts entered into to hedge the interest rate on future project-level financing for the Development Projects following the close of the Boulder Creek, Upper Lillooet River and Big Silver Creek project financings.

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 regime 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 \$43.5 million in long-term reserve accounts as at June 30, 2015, compared with \$40.7 million as at December 31, 2014. The increase stems mainly from the reserves for the Kwoiek Creek facility put in place during the first quarter.

The availability of funds in the hydrology/wind and major maintenance reserve accounts may be 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. They are recorded at cost less accumulated depreciation and accumulated impairment losses, if any. The Corporation had \$2,019 million in property, plant and equipment as at June 30, 2015, compared with \$1,896 million as at December 31, 2014. The increase stems mainly from construction of the Tretheway Creek, Boulder Creek, Upper Lillooet River, Big Silver Creek and Mesgi'g Ugnu's'n projects and from the transfer of the Mesgi'g Ugnu's'n project to property, plant and equipment, partly offset by depreciation and by a \$6.6 million subsequent adjustment pertaining to purchase price allocation for the SM-1 hydroelectric facility out of property, plant and equipment into intangible assets.

Intangible Assets

Intangible assets consist of various power purchase agreements, permits and licenses. They also include the extended warranty for the Montagne Sèche and Gros-Morne wind farm turbines. The Corporation had \$482.9 million in intangible assets as at June 30, 2015, compared with \$487.3 million as at December 31, 2014. The decrease is due mainly to amortization, partly offset by a \$6.6 million subsequent adjustment pertaining to purchase price allocation for the SM-1 hydroelectric facility into intangible assets from property, plant and equipment.

Project Development Costs

Project development costs are the costs to acquire and develop Development Projects and to acquire Prospective Projects. Depending on their nature, these costs are transferred either to property, plant and equipment or to intangible assets once the project reaches the construction phase. The Corporation had \$52.3 million in project development costs as at June 30, 2015, compared with \$61.0 million as at December 31, 2014. The decrease stems from the transfer of the Mesgi'g Ugnu's'n project out of project development costs and into property, plant and equipment now that construction of the project has begun.

Investments in Joint Ventures

Investments in joint ventures represent the Corporation's ownership portion of joint ventures, which are accounted for using the equity method. As at June 30, 2015, the Corporation had \$11.7 million in investments in joint ventures, compared with \$14.5 million as at December 31, 2014. This \$2.8 million decrease reflects \$4.6 million in distributions made at the joint venture level during the first half of the year, partly offset by the recognition of \$1.1 million in net earnings and \$0.7 million in other comprehensive income. Please refer to the "Investments in Joint Ventures" section for more information.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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 the risk of rising foreign currencies on its equipment purchases. The Corporation does not own or issue any Derivatives for speculation purposes. Since October 2014, the Corporation has used hedge accounting in the treatment of new Derivatives, and since April 1, 2015 has also decided to use hedge accounting in the treatment of 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 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 will be 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.

Interest rate swap contracts allow the Corporation to eliminate the risk of interest rate increases in actual floating-rate debts. These totalled \$480.0 million as at June 30, 2015. Consequently, as at June 30, 2015, interest rate swaps related to outstanding debts combined with the \$1,461 million in existing fixed-rate debts and \$79.2 million in convertible debentures mean that 99% of outstanding debts are protected from interest rate increases.

Bond forward contracts allow the Corporation to eliminate the risk of interest rate increases in planned long-term debt that it will need to secure for its Development Projects. As at the date of this MD&A, the Corporation had entered into bond forward contracts totalling \$190.0 million for the Mesgi'g Ugju's'n Development Project (\$535.0 million for the Upper Lillooet River, Boulder Creek, Big Silver Creek and Mesgi'g Ugju's'n Development projects as at December 31, 2014). Upon closing the fixed-rate or interest-swapped long-term financing, the Corporation will settle the corresponding derivative financial instruments, which will result in a realized gain or loss on derivative financial instruments. These gains or losses will serve to offset a higher or lower interest rate on the project-level debt.

In March 2015, the Corporation announced the closing of a \$491.6 million financing for the Boulder Creek and Upper Lillooet River hydroelectric projects. The concurrent settlement of the Boulder Creek and Upper Lillooet River bond forward contracts gave rise to a \$68.0 million realized loss on derivative financial instruments. This loss results from a decrease in benchmark interest rates between the date the bond forwards were entered into (between September and December 2013) and the settlement date (March 17, 2015) and will be compensated for by the low weighted average fixed interest rate of 4.36% for these 25- to 40-year term loans. In June 2015, the Corporation closed a \$197.2 million financing for the Big Silver Creek hydroelectric project. The concurrent settlement of the Big Silver Creek bond forward contracts gave rise to an \$24.7 million realized loss on derivative financial instruments. This loss results from a decrease in benchmark interest rates between the date the bond forwards were entered into (between December 2013 and January 2014) and the settlement date (June 22, 2015) and will be compensated for by the low weighted average fixed interest rate of 4.71% for these 25- to 40-year term loans. As at June 30, 2015, the Derivatives to be settled upon closing of the project financings had a negative market value of \$21.7 million.

As at the date of this MD&A, the Corporation had no euro foreign exchange forward contracts outstanding (\$78.4 million at December 31, 2014), as the foreign exchange forward contract it had entered into to eliminate the risk of a euro appreciation versus the Canadian dollar on equipment purchases for the Mesgi'g Ugju's'n project was settled upon maturity and the exchange rate for the euro portion of the turbine supply contract was fixed, eliminating any further euro exposure.

Overall, Derivatives had a net negative value of \$82.8 million at June 30, 2015 (negative \$145.8 million at December 31, 2014). The decrease is due mainly to the settlement of the Boulder Creek, Upper Lillooet River and Big Silver Creek bond forward contracts. 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.

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 currently under construction or under development. As at June 30, 2015, accrual for acquisition of long-term assets totalled \$16.9 million (\$25.3 million as at December 31, 2014). The \$8.4 million decrease results mainly from payments made in relation to the construction of the Boulder Creek, Upper Lillooet River and Big Silver Creek projects, partly offset by the increase in construction costs related to the Mesgi'g Ugju's'n project.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Long-Term Debt

As at June 30, 2015, long-term debt totalled \$1,937 million (\$1,645 million as at December 31, 2014). The \$292.3 million increase results mainly from the addition of the Boulder Creek and Upper Lillooet River debts in the amount of \$316.7 million, out of the \$491.6 million project financing closed on March 17, the addition of the Big Silver Creek debt in the amount of \$161.8 million out of the \$197.2 million project financing closed on June 22 and from drawings under the revolving term credit facility to fund construction costs of the Mesgi'g Ugju's'n project until the project-level financing for this project is secured and the revolving term credit facility can be paid down. This increase was partly offset by the scheduled repayment of project-level debts and the reduction of drawings under the revolving term credit facility using a portion of the proceeds of the Boulder Creek, Upper Lillooet River and Big Silver Creek financings to reimburse the excess equity invested in the projects by the Corporation.

Since the beginning of the 2015 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.

Shareholders' Equity

As at June 30, 2015, the Corporation's shareholders' equity totalled \$520.1 million, including \$33.4 million of non-controlling interests, compared with \$562.2 million, including \$47.4 million of non-controlling interests, as at December 31, 2014. This \$42.1 million decrease in total shareholders' equity is attributable mainly to dividends declared on preferred and common shares of \$34.9 million and the recognition of a \$15.3 million net loss.

Off-Balance-Sheet Arrangements

As at June 30, 2015, the Corporation had issued letters of credit totalling \$122.9 million to meet its obligations under its various PPAs and other agreements. Of this amount, \$110.8 million was issued under its revolving term credit facility, for the most part on a temporary basis during the construction of the Development Projects, and the remainder was issued under the projects' non-recourse credit facilities. As at that date, Innergex had also issued a total of \$11.0 million in corporate guarantees used mainly to support the performance of the Brown Lake hydroelectric facility.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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.

Free Cash Flow and Payout Ratio calculation	Trailing 12 months ended June 30		
	2015	2014	2013
Cash flows from operating activities	36,363	93,959	105,626
<i>Add (Subtract) the following items:</i>			
Changes in non-cash operating working capital items	(8,317)	(7,276)	(32,909)
Maintenance capital expenditures net of proceeds from disposals	(2,926)	(2,558)	(2,804)
Scheduled debt principal payments	(31,342)	(27,694)	(23,997)
Free Cash Flow attributed to non-controlling interests ¹	(7,541)	(1,550)	(7,806)
Dividends declared on Preferred shares	(7,125)	(7,126)	(5,954)
Cash receipt for wheeling services to be provided by the Harrison Hydro L.P. to other facilities ²	5,419	—	4,916
<i>Adjust for the following elements:</i>			
Transaction costs related to realized acquisitions	263	592	2,345
Realized losses on derivative financial instruments	100,939	—	17,386
Free Cash Flow	85,733	48,347	56,803
Dividends declared on common shares	61,518	57,039	54,441
Payout Ratio - before the impact of the DRIP	72%	118%	96%
Dividends declared on common shares and paid in cash ³	51,140	44,184	39,055
Payout Ratio - after the impact of the DRIP	60%	91%	69%

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. The \$5.4 million and \$4.9 million represent cash receipts by the Harrison Hydro L.P. for the wheeling services to be provided to the Big Silver, Tretheway Creek and Northwest Stave River 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 trailing 12 months ended June 30, 2015, the Corporation generated Free Cash Flow of \$85.7 million, compared with \$48.3 million for the same period last year. This increase is due mainly to greater cash flows from operating activities before realized losses on derivative financial instruments and to the cash receipt for wheeling services provided by the Harrison Hydro L.P. to other facilities owned by the Corporation, partly offset by greater scheduled debt principal payments.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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 trailing 12 months ended June 30, 2015, the dividends on common shares declared by the Corporation corresponded to 72% of Free Cash Flow, compared with 118% for the corresponding prior 12-month period. This positive change is due mainly to the increase in Free Cash Flow explained above, which more than offset the increase in dividends resulting from the higher number of common shares outstanding by virtue of the DRIP, the issuance of 4,027,051 common shares of the Corporation in June 2014 to pay for the acquisition of the SM-1 hydroelectric facility and the conversion of a portion of convertible debentures during the first quarter of 2015.

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 trailing 12 months ended June 30, 2015, the Corporation incurred prospective project expenses of \$6.4 million, compared with \$5.2 million for the corresponding prior period. This 24% increase is attributable mainly to the recent request for proposals in Quebec and the current request for proposals in Ontario, 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 Ratio would be approximately five percentage points lower for the trailing 12 months ended June 30, 2015, and approximately 11 percentage points lower for the corresponding prior period.

Furthermore, the Corporation does not expect to require additional equity in order to complete its current five Development Projects, given the anticipated increase in cash flows from operations once these projects have been commissioned, the project-level financing that the Corporation has secured or intends to secure for these projects and the additional equity provided by the DRIP.

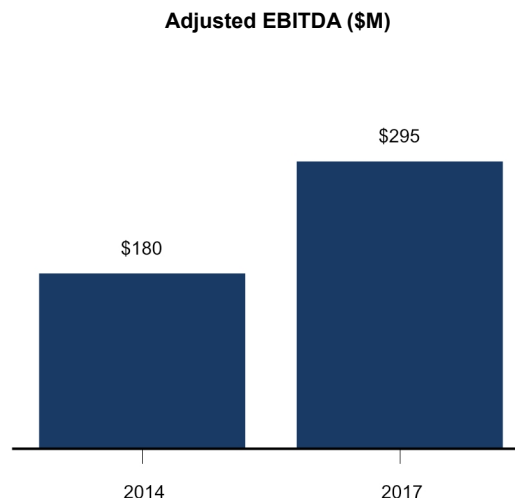
OUTLOOK FOR 2017

The Corporation makes certain projections to provide readers with an indication of its business activities and operating performance once the five existing Development Projects have been commissioned. Please refer to the "Development Projects" section for more information on these projects. These projections do not take into account possible acquisitions, divestments or additional Development Projects following the award of any new power purchase agreements.

Once the five Development Projects have been commissioned, the Corporation expects its annualized consolidated LTA production to increase from 3,050 GWh at the end of 2014 to 4,211 GWh starting in 2017, corresponding to a 38% increase.

Projected Adjusted EBITDA

A key performance indicator for the Corporation is Adjusted EBITDA generation. Once the five Development Projects have been commissioned, the Corporation expects to generate annualized Adjusted EBITDA starting in 2017 of approximately \$295.0 million (adjusted for an inflation component thereafter), compared with \$179.6 million in 2014. This represents an annual compound growth rate of approximately 18% for the 2014-2017 period. 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 \$8.0 million.

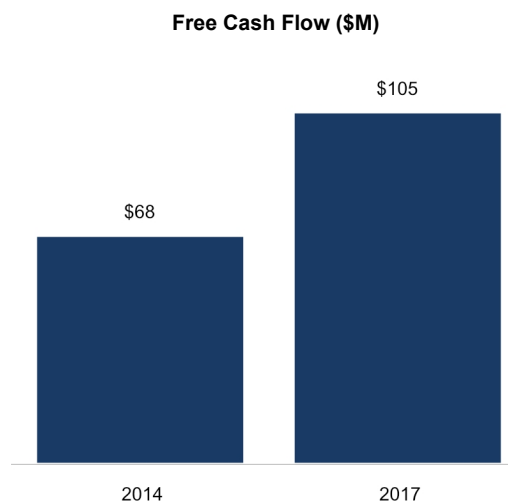


MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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 five existing Development Projects have been commissioned, the Corporation expects to generate Free Cash Flow in 2017 of approximately \$105.0 million, compared with \$67.7 million in 2014. This represents an annual compound growth rate of approximately 16% for the 2014-2017 period and will reflect the cash flows generated by the Corporation's 38 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. The increase from prior guidance provided of \$95.0 million in Free Cash Flow starting in 2017 is due mainly to more favourable debt amortization schedules on the project-level debts that the Corporation has secured over the past several months.



MANAGEMENT'S DISCUSSION AND ANALYSIS

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

SEGMENT INFORMATION

Geographic Segments

As at June 30, 2015, the Corporation had interests in 25 hydroelectric facilities, six wind farms and one solar farm in Canada and one hydroelectric facility in the United States. For the three- and six-month periods ended June 30, 2015, the revenues generated by the Horseshoe Bend hydroelectric facility in the United States totalled \$1.3 million and \$2.0 million respectively (\$1.4 million and \$1.8 million respectively in 2014), corresponding to a contribution of 1.9% and 1.6% respectively (2.0% and 1.6% in 2014) to the Corporation's consolidated revenues for these periods. Lower production during these periods compared with the same periods last year was partly offset by higher selling prices expressed in Canadian dollars.

Operating Segments

As at June 30, 2015, the Corporation had four operating segments: hydroelectric generation, wind power generation, solar power generation and site development.

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, 2014. 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 Three months ended June 30, 2015	Hydroelectric Generation	Wind Power Generation	Solar Power Generation	Site Development	Total
Power generated (MWh)	718,980	171,835	13,357	—	904,172
Revenues	50,874	13,687	5,610	—	70,171
Expenses:					
Operating expenses	8,458	2,473	169	—	11,100
General and administrative expenses	1,977	955	42	752	3,726
Prospective project expenses	—	—	—	1,930	1,930
Adjusted EBITDA	40,439	10,259	5,399	(2,682)	53,415
Three months ended June 30, 2014					
Power generated (MWh)	767,756	116,747	14,219	—	898,722
Revenues	54,348	9,329	5,972	—	69,649
Expenses:					
Operating expenses	8,545	2,208	272	—	11,025
General and administrative expenses	2,175	645	82	428	3,330
Prospective project expenses	—	—	—	1,477	1,477
Adjusted EBITDA	43,628	6,476	5,618	(1,905)	53,817

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

SUMMARY OPERATING RESULTS Six months ended June 30, 2015	Hydroelectric Generation	Wind Power Generation	Solar Power Generation	Site Development	Total
Power generated (MWh)	1,157,272	385,138	20,190	—	1,562,600
Revenues	88,638	30,780	8,480	—	127,898
Expenses:					
Operating expenses	15,257	4,708	382	—	20,347
General and administrative expenses	4,375	1,889	85	1,549	7,898
Prospective project expenses	—	—	—	3,283	3,283
Adjusted EBITDA	69,006	24,183	8,013	(4,832)	96,370
Six months ended June 30, 2014					
Power generated (MWh)	954,325	339,973	21,633	—	1,315,931
Revenues	71,067	27,095	9,086	—	107,248
Expenses:					
Operating expenses	13,605	4,478	587	—	18,670
General and administrative expenses	4,332	1,526	165	861	6,884
Prospective project expenses	—	—	—	2,548	2,548
Adjusted EBITDA	53,130	21,091	8,334	(3,409)	79,146

SUMMARY BALANCE SHEET As at June 30, 2015	Hydroelectric Generation	Wind Power Generation	Solar Power Generation	Site Development	Total
Goodwill	8,269	—	—	—	8,269
Total assets	1,713,877	342,849	120,081	745,835	2,922,642
Total liabilities	1,234,053	223,139	110,442	834,906	2,402,540
Acquisition of property, plant and equipment during the period	1,790	329	—	119,734	121,853
As at December 31, 2014					
Goodwill	8,269	—	—	—	8,269
Total assets	1,752,495	352,723	120,957	489,840	2,716,015
Total liabilities	1,241,530	238,450	111,814	561,996	2,153,790
Acquisition of property, plant and equipment during the year	123,185	549	161	223,405	347,300

Hydroelectric Generation Segment

For the three-month period ended June 30, 2015, this segment produced 88% of the LTA and generated revenues of \$50.9 million, compared with production at 98% of the LTA and revenues of \$54.3 million for the same period last year. The production decrease and corresponding revenue decrease are due mainly to lower water flows at the six 50%-owned facilities of the Harrison Hydro Limited Partnership in British Columbia, which more than offset water flows that were higher in Ontario and similar in Quebec and the contribution from the SM-1 hydroelectric facility acquired in June 2014.

For the six-month period ended June 30, 2015, this segment produced 102% of the LTA and generated revenues of \$88.6 million, compared with production at 90% of the LTA and revenues of \$71.1 million for the same period last year. The production increase and corresponding revenue increase are due mainly to higher water flows in British Columbia and to the contribution of the SM-1 hydroelectric facility acquired in June 2014.

The decrease in total assets since December 31, 2014, is attributable mainly to depreciation of property, plant and equipment and amortization of intangible assets.

The decrease in total liabilities since December 31, 2014, is attributable mainly to the scheduled repayment of long-term debt.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Wind Power Generation Segment

For the three-month period ended June 30, 2015, this segment produced 120% of the LTA and generated revenues of \$13.7 million, compared with production at 82% of the LTA and revenues of \$9.3 million for the same period last year. For the six-month period ended June 30, 2015, this segment produced 108% of the LTA and generated revenues of \$30.8 million, compared with production at 95% of the LTA and revenues of \$27.1 million for the same period last year. The production increase and corresponding revenue increase are due mainly to higher wind regimes.

The decrease in total assets since December 31, 2014, is attributable mainly to depreciation of property, plant and equipment and amortization of intangible assets.

The decrease in total liabilities since December 31, 2014, is attributable mainly to the scheduled repayment of long-term debt.

Solar Power Generation Segment

For the three-month period ended June 30, 2015, this segment produced 107% of the LTA and generated revenues of \$5.6 million, compared with production at 113% of the LTA and revenues of \$6.0 million for the same period last year. For the six-month period ended June 30, 2015, this segment produced 102% of the LTA and generated revenues of \$8.5 million, compared with production at 109% of the LTA and revenues of \$9.1 million for the same period last year. The production decrease and corresponding revenue decrease are due mainly to solar irradiation lower than for the same periods last year.

The decrease in total assets since December 31, 2014, results mainly from depreciation of property, plant and equipment and from amortization of intangible assets.

The decrease in total liabilities since December 31, 2014, is attributable mainly to the scheduled repayment of long-term debt.

Site Development Segment

For the three- and six-month periods ended June 30, 2015, site development expenses were \$2.7 million and \$4.8 million respectively, compared with \$1.9 million and \$3.4 million respectively in 2014. The increase is due mainly to prospective project expenses incurred for the advancement of a number of prospective projects and the current request for proposals in Ontario and to pursuing opportunities in new international markets.

The increase in total assets since December 31, 2014, is attributable mainly to payments made for costs incurred for the construction of the Upper Lilloet River, Boulder Creek, Tretheway Creek, Big Silver Creek and Mesgi'g Ugju's'n projects and to the increase in restricted cash from the addition of a portion of the financing received from the Boulder Creek, Upper Lilloet River and Big Silver Creek project-level debts.

The increase in total liabilities since December 31, 2014, is attributable mainly to the addition of a portion of the Boulder Creek, Upper Lilloet River and Big Silver Creek project financings and to drawings on the revolving term credit facility to pay for construction activities on the Mesgi'g Ugju's'n project, partly offset by refunds on the revolving term credit facility using a portion of the proceeds of the Boulder Creek, Upper Lilloet River and Big Silver Creek project-level debts to reimburse the excess equity invested in the projects by the Corporation.

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			
	June 30, 2015	Mar. 31, 2015	Dec. 31, 2014	Sept. 30, 2014
Power generated (MWh)	904,172	658,427	819,903	826,617
Revenues	70.2	57.7	68.2	66.4
Adjusted EBITDA	53.4	43.0	48.7	51.7
Unrealized net gain (loss) on derivative financial instruments	43.1	12.0	(49.6)	(6.9)
Net earnings (loss)	22.5	(37.8)	(27.6)	(4.5)
Net earnings (loss) attributable to owners of the parent	22.8	(29.1)	(18.9)	(0.7)
Net earnings (loss) attributable to owners of the parent (\$ per share – basic)	0.21	(0.31)	(0.21)	(0.02)
Dividends declared on preferred shares	1.8	1.8	1.8	1.8
Dividends declared on common shares	15.7	15.7	15.1	15.1
Dividends declared on common shares, \$ per share	0.155	0.155	0.150	0.150

(in millions of dollars, unless otherwise stated)	Three months ended			
	June 30, 2014	Mar. 31, 2014	Dec. 31, 2013	Sept. 30, 2013
Power generated (MWh)	898,722	417,209	496,613	706,495
Revenues	69.6	37.6	41.4	58.0
Adjusted EBITDA	53.8	25.3	25.6	46.7
Unrealized net (loss) gain on derivative financial instruments	(29.1)	(36.0)	11.7	2.4
Net (loss) earnings	(14.2)	(38.1)	3.4	11.1
Net (loss) earnings attributable to owners of the parent	(7.8)	(27.4)	6.3	10.8
Net (loss) earnings attributable to owners of the parent (\$ per share – basic)	(0.10)	(0.30)	0.05	0.09
Dividends declared on preferred shares	1.8	1.8	1.8	1.8
Dividends declared on common shares	15.0	14.4	13.9	13.8
Dividends declared on common shares, \$ per share	0.150	0.150	0.145	0.145

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 77% 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 change in the market value of derivative financial instruments. Historical analysis of net earnings (loss) should therefore take this factor into account. It is important to bear in mind that changes in the market value of derivative financial instruments result from interest rate fluctuations and do not have an impact on the Corporation's Adjusted EBITDA, finance costs, cash flows from operating activities, Free Cash Flow and Payout Ratio.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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 June 30	2015				2014			
	Production (MWh) ¹	LTA (MWh) ¹	Production as a % of LTA	Average price (\$/MWh) ²	Production (MWh) ¹	LTA (MWh) ¹	Production as a % of LTA	Average price (\$/MWh) ²
Umbata Falls	47,244	37,823	125%	84.86	42,310	37,823	112%	84.56
Viger-Denonville	18,634	15,450	121%	149.13	14,081	15,450	91%	148.55

Six months ended June 30	2015				2014			
	Production (MWh) ¹	LTA (MWh) ¹	Production as a % of LTA	Average price (\$/MWh) ²	Production (MWh) ¹	LTA (MWh) ¹	Production as a % of LTA	Average price (\$/MWh) ²
Umbata Falls	69,346	54,750	127%	84.83	61,083	54,750	112%	84.32
Viger-Denonville	44,085	35,750	123%	149.13	37,366	35,750	105%	148.55

1. Corresponds to 100% of the facility's electricity production and LTA.
2. Including payments received from the ecoENERGY Initiative for Umbata Falls.

Umbata Falls, L.P.

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

	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
Revenues	4,009	3,578	5,883	5,150
Operating and general and administrative expenses	219	222	394	413
Adjusted EBITDA	3,790	3,356	5,489	4,737
Finance costs	678	610	1,271	1,221
Other net revenues	(13)	(9)	(21)	(21)
Depreciation and amortization	1,004	1,003	2,011	2,007
Unrealized net (gain) loss on derivative financial instruments	(1,589)	641	409	2,140
Net earnings (loss) and comprehensive income (loss)	3,710	1,111	1,819	(610)

For the three- and six-month periods ended June 30, 2015, production was 125% and 127% respectively of the LTA, due mainly to above-average water flows. The increase in Adjusted EBITDA is due mainly to higher production levels than for the same periods last year. The higher net earnings also reflect an unrealized net gain on derivative financial instruments for the three-month period compared with an unrealized net loss for the same period last year and a smaller unrealized net loss on derivative financial instruments for the six-month period compared with the same period last year, both of which result from the increase in benchmark interest rates during the second quarter.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

	As at	June 30, 2015	December 31, 2014
Current assets		4,045	4,229
Non-current assets		70,306	72,116
Current liabilities		3,479	46,824
Non-current liabilities		48,764	5,749
Partners' equity		22,108	23,772

As at June 30, 2015, the reduction in partners' equity stems from a distribution of \$3.5 million, partly offset by the recognition of net earnings for the six-month period. The decrease in current liabilities and corresponding increase in non-current liabilities result from the successful refinancing of the facility on March 30, 2015, with a \$46.0 million term loan maturing in 2020 and amortized over an 18-year period ending in 2033. The loan bears interest at the bankers' acceptance rate plus an applicable credit margin. As at June 30, 2015, the loan bore interest at an effective rate of 5.5%. Umbata Falls, 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 Derivatives for speculation purposes. An amortizing interest-rate swap totalling \$45.2 million used to hedge the interest rate on the Umbata Falls loan had a net negative value of \$7.3 million at June 30, 2015 (negative \$6.9 million at December 31, 2014).

Viger-Denonville, L.P.

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

	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
Revenues	2,779	2,092	6,575	5,551
Operating and general and administrative expenses	470	424	959	965
Adjusted EBITDA	2,309	1,668	5,616	4,586
Finance costs	908	829	1,828	1,668
Other net revenues	(13)	(10)	(31)	(16)
Depreciation and amortization	728	835	1,458	1,671
Unrealized net (gain) loss on derivative financial instruments	(79)	693	2,028	2,250
Net earnings (loss)	765	(679)	333	(987)
Other comprehensive income	1,390	—	1,390	—
Total comprehensive income (loss)	2,155	(679)	1,723	(987)

For the three- and six-month periods ended June 30, 2015, production was 121% and 123% respectively of the LTA, due mainly to above-average wind regimes. The increase in Adjusted EBITDA is due mainly to higher production levels than for the same periods last year.

Since April 1, 2015 the Corporation has decided to use 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. Under hedge accounting, most of the unrealized gains or losses on Derivatives that arise from a decrease or increase in the benchmark interest rate will be recorded as other comprehensive income or loss.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

	As at	June 30, 2015	December 31, 2014
Current assets		2,602	5,960
Non-current assets		60,866	62,452
Current liabilities		4,271	4,002
Non-current liabilities		57,353	58,588
Partners' equity		1,844	5,822

As at June 30, 2015, the reduction in partners' equity stems mainly from a distribution of \$5.7 million, partly offset by the recognition of total comprehensive income for the six-month period. In addition, 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 Derivatives for speculation purposes. An amortizing interest-rate swap totalling \$55.3 million used to hedge the interest rate of the Viger-Denonville loan had a net negative value of \$5.3 million at June 30, 2015 (negative \$4.7 million at December 31, 2014).

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.

	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
Revenues	12,238	19,308	25,556	23,706
Adjusted EBITDA	9,551	16,002	20,457	18,206
Net (loss) earnings and comprehensive (loss) income	(4,646)	561	89	(8,011)
Net (loss) earnings and comprehensive (loss) income attributable to:				
Owners of the parent	(2,481)	134	(256)	(4,294)
Non-controlling interests	(2,165)	427	345	(3,717)
	(4,646)	561	89	(8,011)

For the three-month period ended June 30, 2015, the decrease in revenues and Adjusted EBITDA and the recognition of a net loss are due mainly to production levels that were lower than for the same period last year and also lower than the LTA.

For the six-month period ended June 30, 2015, the increase in revenues and Adjusted EBITDA is due mainly to production levels that were slightly higher than for the same period last year. The net earnings generated are also attributable mainly to much lower inflation compensation interest on the real return bonds of \$0.7 million for the six-month period, compared with \$5.1 million in 2014, due to deflation during the first quarter of 2015.

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

	As at	June 30, 2015	December 31, 2014
Current assets		24,897	31,079
Non-current assets		639,363	646,421
Current liabilities		18,340	19,582
Non-current liabilities		461,016	462,609
Equity attributable to owners		112,824	118,325
Non-controlling interests		72,080	76,984

The decrease in equity attributable to owners is due mainly to a \$10.5 million distribution to the Corporation and its partners during the first quarter.

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(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" sections.

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

	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
Revenues	995	839	1,599	842
Adjusted EBITDA	375	435	562	(54)
Net loss	(1,079)	(9,184)	(16,847)	(22,682)
Other comprehensive income	587	—	587	—
Total comprehensive loss	(492)	(9,184)	(16,260)	(22,682)
Net loss attributable to:				
Owners of the parent	(709)	(6,105)	(11,226)	(15,099)
Non-controlling interest	(370)	(3,079)	(5,621)	(7,583)
	(1,079)	(9,184)	(16,847)	(22,682)
Total comprehensive loss attributable to:				
Owners of the parent	(318)	(6,105)	(10,835)	(15,099)
Non-controlling interest	(174)	(3,079)	(5,425)	(7,583)
	(492)	(9,184)	(16,260)	(22,682)

For the three-month period ended June 30, 2015, the smaller net loss is due mainly to an increase in benchmark interest rates compared with a decrease in benchmark interest rates for the same period last year. For the six-month period ended June 30, 2015, the net loss reflects a \$68.0 million realized loss on Derivatives resulting from the settlement of the Boulder Creek and Upper Lillooet River bond forward contracts upon closing of the financing for these projects on March 17, partly offset by an unrealized gain on Derivatives resulting from the reversal of unrealized losses accumulated at December 31, 2014, upon settlement of these bond forward contracts. For the same period last year, the net loss was due mainly to an unrealized net loss on derivative financial instruments resulting from an decrease in benchmark interest rates.

Since April 1, 2015 the Corporation has decided to use hedge accounting in the treatment of existing Derivatives 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. Under hedge accounting, most of the unrealized gains or losses on Derivatives that arise from a decrease or increase in the benchmark interest rate will be recorded as other comprehensive income or loss.

Summary Statements of Financial Position – Creek Power Inc.

	As at	June 30, 2015	December 31, 2014
Current assets		128,457	8,707
Non-current assets		269,639	218,832
Current liabilities		33,480	78,882
Non-current liabilities		436,603	204,384
Deficit attributable to owners		(51,766)	(40,931)
Non-controlling interest (deficit)		(20,221)	(14,796)

The increase in non-current assets is due mainly to construction spending for the Upper Lillooet River and Boulder Creek projects. The increase in current assets is due mainly to the increase in restricted cash from the unused proceeds of the project financing closed on March 17. The decrease in current liabilities is due to the settlement of the bond forward contracts explained

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

below. The greater deficit attributable to owners and negative value of non-controlling interest are due mainly to the recognition of a net loss for the six-month period. On March 17, 2015, the Corporation announced the closing of a \$491.6 million non-recourse construction and term project financing comprised of three tranches and carrying interest rates of 4.22% and 4.46% (weighted average fixed rate of 4.36%). Concurrent with the closing of the financing, the Corporation settled the bond forward contracts used to hedge the interest rate prior to the close of the financing in order to protect the expected returns on the projects, giving rise to a \$68.0 million realized loss on derivative financial instruments. This is equivalent to a fixed interest rate of approximately 5.66% on the loans and well within the parameters of the economic model for these projects. As at June 30, 2015, proceeds of \$322.4 million out of the \$491.6 million project financing had been received.

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

	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
Revenues	5,884	4,767	7,746	5,143
Adjusted EBITDA	4,611	3,885	5,702	3,732
Net earnings (loss) and comprehensive income (loss)	276	(1,564)	(3,019)	(5,488)
Net earnings (loss) and comprehensive income (loss) attributable to:				
Owners of the parent	193	(684)	(1,400)	(2,578)
Non-controlling interest	83	(880)	(1,619)	(2,910)
	276	(1,564)	(3,019)	(5,488)

For the three- and six-month periods ended June 30, 2015, the increase in revenues and Adjusted EBITDA is due mainly to production levels that were higher than for the same period last year. The low net earnings during the three-month period and the net loss during the six-month period are attributable mainly to the recording as an expense of the distributions on the preferred units held by the Corporation and the interest on the subordinated term loans held by the Corporation's partner.

Summary Statements of Financial Position – Kwoiek Creek Resources Limited Partnership

	As at	June 30, 2015	December 31, 2014
Current assets		6,588	28,098
Non-current assets		180,212	177,749
Current liabilities		9,328	8,362
Non-current liabilities		196,405	213,399
Deficit attributable to owners		(9,328)	(7,928)
Non-controlling interests deficit		(9,605)	(7,986)

The greater deficit attributable to owners and non-controlling interests deficit are due mainly to the recognition of a net loss for the six-month period.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(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" section. The Mesgi'g Ugju's'n subsidiary began operating on March 21, 2014.

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

	Three months ended June 30		Six months ended June 30, 2015	Period of 102 days ended June 30, 2014
	2015	2014		
Revenues	—	—	—	—
Adjusted EBITDA	—	—	(1)	—
Net earnings (loss) and comprehensive income (loss)	7,018	(5,795)	(4,614)	(5,674)
Net earnings (loss) and comprehensive income (loss) attributable to:				
Owners of the parent	4,280	(2,992)	(3,066)	(2,871)
Non-controlling interest	2,738	(2,803)	(1,548)	(2,803)
	7,018	(5,795)	(4,614)	(5,674)

For the three-month period ended June 30, 2015, the recognition of net earnings is due mainly to an unrealized net gain on Derivatives resulting from the increase in benchmark interest rates during the quarter, compared with an unrealized net loss on Derivatives resulting from the decrease in benchmark interest rates during the same period last year. Also, a \$3.2 million loss was realized upon settlement of the Mesgi'g Ugju's'n foreign exchange forward contract used to secure the exchange rate on planned equipment purchases for the project. Concurrently, the exchange rate for the euro portion of the turbine supply contract for this project was fixed, resulting in a realized gain that offsets the realized loss on the foreign exchange forward contract, eliminating any further euro exposure.

For the six-month period ended June 30, 2015, the recognition of a net loss is due mainly to an unrealized net loss on Derivatives resulting from the decrease in benchmark interest rates since the beginning of the year.

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

	As at	June 30, 2015	December 31, 2014
Current assets		2,653	4,907
Non-current assets		38,014	11,807
Current liabilities		24,119	21,688
Non-current liabilities		17,201	1,140
Equity (deficit) attributable to owners		6,154	(855)
Non-controlling interest deficit		(6,807)	(5,259)

Current liabilities reflect the derivative financial instruments entered into to fix the interest rate on the Mesgi'g Ugju's'n project-level financing until closing of this financing. The increase in equity attributable to owners is due mainly to a \$10.1 million equity investment made by the Corporation to fund the project's construction activities, partly offset by the recognition of a net loss during the six-month period, which also explains the increase in the non-controlling interest deficit.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Innergex Sainte-Marguerite, S.E.C. ("SM-1 L.P.")

Since June 20, 2014, the Corporation has owned 50.01% of the common units and all of the preferred units of SM-1 L.P., which owns the SM-1 hydroelectric facility.

Summary Statements of Earnings and Comprehensive Income – SM-1 L.P.

	Three months ended June 30, 2015	Period of 11 days ended June 30, 2014	Six months ended June 30, 2015	Period of 11 days ended June 30, 2014
Revenues	2,419	283	6,287	283
Adjusted EBITDA	1,921	249	5,049	249
Net loss and comprehensive loss	(1,133)	(52)	(1,009)	(52)
Net loss and comprehensive loss attributable to:				
Owners of the parent	(567)	(26)	(505)	(26)
Non-controlling interest	(566)	(26)	(504)	(26)
	(1,133)	(52)	(1,009)	(52)

For the three- and six-month periods ended June 30, 2015, revenues and Adjusted EBITDA reflect the operations of the SM-1 hydroelectric facility acquired in June 2014. 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 the interest on the debentures held by the Corporation's partner.

Summary Statements of Financial Position – SM-1 L.P.

	As at	June 30, 2015	December 31, 2014
Current assets		1,539	2,286
Non-current assets		136,743	138,217
Current liabilities		5,072	6,283
Non-current liabilities		120,484	120,485
Equity attributable to owners		14,606	15,111
Non-controlling interests deficit		(1,880)	(1,376)

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

ACCOUNTING CHANGES

New and revised IFRS issued but not yet effective

IAS 1 - Presentation of Financial Statements

The 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 judgement 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 with early adoption permitted. The Corporation is currently assessing the impact of those amendments on its consolidated financial statements.

IAS 16 and IAS 38 - Clarification of acceptable methods of depreciation and amortization

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

- a) When the intangible asset is expressed as a measure of revenue;
- b) When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after January 1, 2016. The Corporation is currently assessing the impact of those amendments on its consolidated financial statements.

SUBSEQUENT EVENTS

The Upper Lillooet Hydro Project Impacted by Forest Fire

On July 6, 2015 the Corporation announced that the Upper Lillooet Hydro Project ("ULHP") construction site in British Columbia had been impacted by a forest fire. The Boulder Creek fire was ignited by lightning on June 30 and quickly spread to approximately 5,000 hectares, sweeping through the area of the construction site on July 5. This is one of many forest fires active in British Columbia as a result of unusually hot and dry weather conditions.

On July 4, 2015, all personnel were safely evacuated from the ULHP construction site as a result of the forest fire. The construction site is currently under a BC Wildfire Services area restriction order. Since the evacuation, the Corporation and its contractors have had limited access to the site and have not been able to make a full assessment of the potential damages to the Upper Lillooet River and Boulder Creek projects. Nonetheless, the forest fire does not appear to have reached the major infrastructure areas, except for a portion of the transmission line between the two powerhouses. As at the date of this MD&A, the project management team and contractors were working closely with the BC Wildfire Service to identify safe areas to potentially reactivate construction activities in the coming weeks. The priority has been to have qualified professionals conduct preliminary air quality testing, geohazard assessments and danger tree assessments. The BC Wildfire Service was also using the construction camp as a base for firefighting activities in the area.

The ULHP has insurance coverage for this kind of natural disaster, for both damages and delays incurred. The process of quantifying damages, adjusting the construction schedule and expected commissioning date and processing the insurance claims has started, but will take time to complete. The Corporation expects to be indemnified and to suffer no significant adverse financial consequences from the forest fire.

\$100 Million 4.25% Convertible Debenture Offering and Issuance of a Notice of Redemption of Existing 5.75% Convertible Debenture

On July 20, 2015, the Corporation announced an offering on a bought deal basis of \$100.0 million of convertible, unsecured, subordinated debentures bearing interest at a rate of 4.25% and maturing on August 31, 2020. 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 \$1,000 principal amount of debentures.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The Corporation also issued a notice of redemption for all of the existing 5.75% convertible unsecured subordinated debentures maturing on April 30, 2017, issued and outstanding as of August 20, 2015. Up to but excluding that date, holders of the 5.75% convertible debentures have the right to convert their debentures into Innergex common shares at a conversion price of \$10.65 per common share.

The net proceeds of the 4.25% convertible debenture offering will initially be used by the Corporation to reduce drawings under its revolving term credit facility. The funds available under the revolving term credit facility will then be available to be drawn, as required, to finance the redemption of all outstanding 5.75% convertible debentures on August 20, 2015, and to fund future acquisitions, development projects and/or general corporate purposes.

Changes to the Dividend Reinvestment Plan (DRIP)

In view of current market conditions, the Corporation has elected to eliminate the 2.5% discount applicable to the purchase price of shares issued to shareholders participating in the DRIP. Therefore, shares purchased under the DRIP will continue to be issued from treasury, and the price will be the weighted-average trading price of the common shares on the Toronto Stock Exchange during the five (5) business days immediately preceding the dividend payment date. This change came into effect on August 5, 2015. Any decision by the Corporation to change either the purchase method for the shares or the discount granted on the purchase price of shares issued from treasury will be communicated by press release.

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

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

	Notes	Three months ended June 30		Six months ended June 30	
		2015	2014	2015	2014
Revenues		70,171	69,649	127,898	107,248
Expenses					
Operating	4	11,100	11,025	20,347	18,670
General and administrative		3,726	3,330	7,898	6,884
Prospective projects		1,930	1,477	3,283	2,548
Earnings before finance costs, income taxes, depreciation, amortization, other net expenses (revenues), share of (earnings) loss of joint ventures and unrealized net (gain) loss on derivative financial instruments		53,415	53,817	96,370	79,146
Finance costs	5	24,540	24,469	40,957	44,133
Other net expenses (revenues)	6	24,065	(739)	92,479	(912)
Earnings before income taxes, depreciation, amortization, share of (earnings) loss of joint ventures and unrealized net (gain) loss on derivative financial instruments		4,810	30,087	(37,066)	35,925
Depreciation	4, 11	13,241	13,679	26,498	27,338
Amortization	4	5,540	5,252	11,080	10,440
Share of (earnings) loss of joint ventures	7	(2,200)	(204)	(1,056)	792
Unrealized net (gain) loss on derivative financial instruments	8	(43,096)	29,147	(55,081)	65,177
Earnings (loss) before income taxes		31,325	(17,787)	(18,507)	(67,822)
Income tax expense (recovery of)					
Current		879	845	1,630	1,596
Deferred		7,940	(4,443)	(4,833)	(17,124)
		8,819	(3,598)	(3,203)	(15,528)
Net earnings (loss)		22,506	(14,189)	(15,304)	(52,294)
Net earnings (loss) attributable to:					
Owners of the parent		22,808	(7,835)	(6,336)	(35,254)
Non-controlling interests		(302)	(6,354)	(8,968)	(17,040)
		22,506	(14,189)	(15,304)	(52,294)
Weighted average number of common shares outstanding (in 000s)	9	101,235	96,513	101,071	96,172
Basic net earnings (loss) per share (\$)	9	0.21	(0.10)	(0.10)	(0.40)
Diluted weighted average number of common shares outstanding (in 000s)	9	109,038	104,273	108,946	103,910
Diluted net earnings (loss) per share (\$)	9	0.20	(0.10)	(0.10)	(0.40)

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

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

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

	Notes	Three months ended June 30		Six months ended June 30	
		2015	2014	2015	2014
Net earnings (loss)		22,506	(14,189)	(15,304)	(52,294)
Items of comprehensive income (loss) that will be subsequently reclassified to earnings:	14				
Foreign exchange (loss) gain on translation of self-sustaining foreign subsidiaries		(114)	(238)	624	3
Related deferred tax		15	31	(82)	(1)
Foreign exchange gain (loss) on the designated portion of the US dollar denominated debt used as hedge on the investment in self-sustaining foreign subsidiaries		133	247	(620)	3
Related deferred tax		(17)	(32)	82	—
Change in fair value of hedging instruments		10,060	—	8,265	—
Related deferred tax		(2,652)	—	(2,179)	—
Share of joint venture in change in fair value of hedging instruments		695	—	695	—
Related deferred tax		(183)	—	(183)	—
Share of non-controlling interests in change in fair value of hedging instruments		264	—	264	—
Related deferred tax		(68)	—	(68)	—
Other comprehensive income		8,133	8	6,798	5
Total comprehensive income (loss)		30,639	(14,181)	(8,506)	(52,289)
Other comprehensive income attributable to:					
Owners of the parent		7,937	8	6,602	5
Non-controlling interests		196	—	196	—
		8,133	8	6,798	5
Total comprehensive income (loss) attributable to:					
Owners of the parent		30,745	(7,827)	266	(35,249)
Non-controlling interests		(106)	(6,354)	(8,772)	(17,040)
		30,639	(14,181)	(8,506)	(52,289)

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

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

As at		June 30, 2015	December 31, 2014
	Notes		
Assets			
Current assets			
Cash and cash equivalents		44,964	54,609
Restricted cash and short-term investments	10	179,141	85,807
Accounts receivable		46,069	35,271
Reserve accounts		786	651
Income tax receivable		106	93
Derivative financial instruments	8	1,307	2,948
Prepaid and others		5,966	5,269
		278,339	184,648
Reserve accounts		43,527	40,684
Property, plant and equipment	11	2,019,090	1,895,789
Intangible assets		482,929	487,312
Project development costs		52,284	61,020
Investments in joint ventures	7	11,732	14,536
Derivative financial instruments	8	3,372	3,968
Deferred tax assets		16,937	14,025
Goodwill		8,269	8,269
Other long-term assets		6,163	5,764
		2,922,642	2,716,015

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

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

As at		June 30, 2015	December 31, 2014
	Notes		
Liabilities			
Current liabilities			
Dividends payable to shareholders		17,478	16,882
Accounts payable and other payables		84,229	45,607
Income tax liabilities		1,207	1,408
Derivative financial instruments	8	36,805	104,095
Current portion of long-term debt		35,142	33,799
Current portion of other liabilities		366	244
		175,227	202,035
Construction holdbacks		272	10,818
Derivative financial instruments	8	50,659	48,669
Accrual for acquisition of long-term assets		16,929	25,339
Long-term debt	12	1,901,760	1,610,800
Other liabilities		15,743	13,808
Liability portion of convertible debentures	13	79,220	80,018
Deferred tax liabilities		162,730	162,303
		2,402,540	2,153,790
Shareholders' equity			
Common share capital	13	68,762	62,224
Contributed surplus from reduction of capital on common shares		784,482	784,482
Preferred shares		131,069	131,069
Share-based payment		2,089	2,050
Equity portion of convertible debentures		1,319	1,340
Deficit		(507,596)	(466,336)
Accumulated other comprehensive income (loss)	14	6,587	(15)
Equity attributable to owners		486,712	514,814
Non-controlling interests		33,390	47,411
Total shareholders' equity		520,102	562,225
		2,922,642	2,716,015

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

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

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

For the six-month period ended June 30, 2015	Equity attributable to owners								Total	Non-controlling interests	Total shareholders' equity
	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) income			
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							(6,336)		(6,336)	(8,968)	(15,304)
Other items of comprehensive income								6,602	6,602	196	6,798
Total comprehensive income	—	—	—	—	—	—	(6,336)	6,602	266	(8,772)	(8,506)
Common shares issued through dividend reinvestment plan	466	5,154							5,154		5,154
Share-based payment					107				107		107
Share options exercised	45	462			(68)				394		394
Convertible debentures converted into common shares	86	922				(21)			901		901
Distributions to non-controlling interests									—	(5,249)	(5,249)
Dividends declared on common shares							(31,361)		(31,361)		(31,361)
Dividends declared on preferred shares							(3,563)		(3,563)		(3,563)
Balance June 30, 2015	101,269	68,762	784,482	131,069	2,089	1,319	(507,596)	6,587	486,712	33,390	520,102

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

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

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

For the six-month period ended June 30, 2014	Equity attributable to owners										Total shareholders' equity
	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 income	Total	Non-controlling interests	
Balance January 1, 2014	95,655	10,374	784,482	131,069	1,806	1,340	(344,809)	244	584,506	81,429	665,935
Net loss							(35,254)		(35,254)	(17,040)	(52,294)
Other items of comprehensive income								5	5		5
Total comprehensive (loss) income	—	—	—	—	—	—	(35,254)	5	(35,249)	(17,040)	(52,289)
Common shares issued on June 20, 2014: private placement	4,027	41,720							41,720		41,720
Issuance fees		(11)							(11)		(11)
Common shares issued through dividend reinvestment plan	404	4,199							4,199		4,199
Share-based payment					131				131		131
Distributions to non-controlling interests									—	(6,798)	(6,798)
Investments from non-controlling interests									—	2,305	2,305
Dividends declared on common shares							(29,392)		(29,392)		(29,392)
Dividends declared on preferred shares							(3,563)		(3,563)		(3,563)
Balance June 30, 2014	100,086	56,282	784,482	131,069	1,937	1,340	(413,018)	249	562,341	59,896	622,237

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

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

		Six months ended June 30	
		2015	2014
	Notes		
Operating activities			
Net loss		(15,304)	(52,294)
Items not affecting cash:			
Depreciation	11	26,498	27,338
Amortization		11,080	10,440
Share of (earnings) loss of joint ventures		(1,056)	792
Unrealized net (gain) loss on derivative financial instruments		(55,081)	65,177
Inflation compensation interest	5	685	5,093
Amortization of financing fees	5	388	498
Amortization of revaluation of long-term debt and convertible debentures	5	277	770
Accretion expenses on other liabilities	5	310	316
Share-based payment		107	131
Deferred income taxes		(4,833)	(17,124)
Effect of exchange rate fluctuations		324	19
Others		(30)	284
Interest on long-term debt and convertible debentures	5	38,871	37,084
Interest paid		(37,009)	(36,759)
Distributions received from joint ventures		4,556	1,504
Current income tax expense		1,630	1,596
Net income taxes paid		(1,878)	(2,493)
		(30,465)	42,372
Changes in non-cash operating working capital items	15	(1,180)	(22,715)
		(31,645)	19,657
Financing activities			
Dividends paid on common shares		(25,611)	(24,050)
Dividends paid on preferred shares		(3,562)	(3,562)
Distributions to non controlling interest		(5,249)	—
Increase of long-term debt		686,911	131,166
Repayment of long-term debt		(389,246)	(71,639)
Payment of deferred financing costs		(8,134)	(157)
Payment of other liabilities		—	(113)
Payment of issuance cost of common and preferred shares		—	(11)
Proceeds from exercise of share options		394	—
		255,503	31,634

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	Notes	Six months ended June 30	
		2015	2014
Investing activities			
Business acquisitions		—	(37,901)
(Increase) decrease of restricted cash and short-term investments		(93,334)	22,751
Net funds (invested into) withdrawn from the reserve accounts		(2,923)	1,715
Additions to property, plant and equipment		(108,005)	(58,273)
Additions to project development costs		(29,104)	(15,494)
Withdrawals from joint ventures		—	2,259
Investment from non-controlling interest		—	5
(Additions to) reductions to other long-term assets		(399)	26,868
Proceeds from disposal of property, plant and equipment		29	48
		(233,736)	(58,022)
Effects of exchange rate changes on cash and cash equivalents		233	(20)
Net decrease in cash and cash equivalents		(9,645)	(6,751)
Cash and cash equivalents, beginning of period		54,609	34,267
Cash and cash equivalents, end of period		44,964	27,516
<i>Cash and cash equivalents is comprised of:</i>			
Cash		27,904	19,478
Short-term investments		17,060	8,038
		44,964	27,516

Additional information is presented in Note 15.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

DESCRIPTION OF BUSINESS

Innergex Renewable Energy Inc. (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 unaudited condensed consolidated financial statements were approved by the Board of Directors on August 5, 2015.

The Corporation's revenues are variable with each season and are normally at their lowest in the first quarter due to cold temperature. As a result, earnings of interim periods should not be considered as indicative of results for an entire year.

1. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

These condensed consolidated financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS"). The condensed consolidated financial statements are in compliance with IAS-34 Interim Financial Reporting. The same accounting policies and methods of application as described in the Corporation's latest annual report have been used. However, these condensed consolidated financial statements do not include all disclosures required under IFRS and, accordingly, should be read in conjunction with the audited consolidated financial statements and the notes thereto included in the Corporation's latest annual report.

The condensed 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 included in the Corporation's latest annual report.

2. APPLICATION OF NEW AND REVISED IFRS

New and revised IFRS issued but not yet effective

IAS 1 - Presentation of Financial Statements

The 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 judgement 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 with early adoption permitted. The Corporation is currently assessing the impact of those amendments on its consolidated financial statements.

IAS 16 and IAS 38 - Clarification of acceptable methods of depreciation and amortization

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

- a) When the intangible asset is expressed as a measure of revenue;
- b) When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after January 1, 2016. The Corporation is currently assessing the impact of those amendments on its consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

3. BUSINESS ACQUISITIONS

3.1 Acquisition of assets of Sainte-Marguerite-1

The purchase price allocation of the acquisition of Sainte-Marguerite-1 has been finalized in the first quarter of 2015. The following table reflects the final purchase price allocation:

	Preliminary purchase price allocation	Subsequent adjustments	Final purchase price allocation
Reserve account	259	—	259
Property, plant and equipment	115,470	(6,591)	108,879
Intangible assets	18,807	6,591	25,398
Current liabilities	(506)	—	(506)
Long-term debt	(37,455)	—	(37,455)
Deferred tax liabilities	(16,487)	—	(16,487)
Net assets acquired	80,088	—	80,088

4. OPERATING EXPENSES

	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
Salaries	1,075	943	2,048	1,731
Insurance	626	591	1,279	1,158
Operation and maintenance	4,860	4,370	8,645	7,772
Property taxes and royalties	4,539	5,121	8,375	8,009
	11,100	11,025	20,347	18,670

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

5. FINANCE COSTS

	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
Interest on long-term debt and on convertible debentures	19,469	18,656	38,871	37,084
Inflation compensation interest	4,327	4,861	685	5,093
Amortization of financing fees	197	242	388	498
Amortization of revaluation of long-term debt and convertible debentures	146	376	277	770
Accretion expenses on other liabilities	151	161	310	316
Others	250	173	426	372
	24,540	24,469	40,957	44,133

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

6. OTHER NET EXPENSES (REVENUES)

	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
Transaction costs	—	258	—	258
Realized loss on derivative financial instruments	24,527	—	92,574	—
Realized (gain) loss on foreign exchange	(100)	(223)	561	33
Other net revenues	(362)	(774)	(656)	(1,203)
	24,065	(739)	92,479	(912)

During the first quarter of 2015, the Corporation terminated its \$170,000 of bond forward contracts related to the Upper Lillooet project and its \$65,000 of bond forward contracts related to the Boulder Creek Project for a total cash consideration of \$68,047. This loss is a result of a decrease in benchmark interest rates between the date the bond forwards were entered into (between September and December 2013) and the settlement date (March 17, 2015); it will be compensated by a low weighted average fixed interest rate of 4.36% for the 25- to 40-year term loans, compared with a weighted average interest rate of approximately 5.66% that was set at the time of the hedge.

During the second quarter of 2015, the Corporation terminated its \$110,000 of bond forward contracts related to the Big Silver project for a total cash consideration of \$24,703. This loss is a result of a decrease in benchmark interest rates between the date the bond forwards were entered into (between December 2013 and January 2014) and the settlement date (June 22, 2015); it will be compensated by a low weighted average fixed interest rate of 4.71% for the 25- to 40-year term loans, compared with a weighted average interest rate of approximately 5.60% that was set at the time of the hedge.

Also, the Corporation terminated its \$78,400 foreign exchange forward contract related to the Mesgi'g Ugnu'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 \$3,423.

7. INVESTMENTS IN JOINT VENTURES

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 will be amortized over a remaining 18.5-year period starting in April 2015. The loan bears interest at the bankers' acceptance rate plus an applicable credit margin. 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

8. DERIVATIVE FINANCIAL INSTRUMENTS

The terms of the contracts reducing the Corporation's risk of interest rate fluctuations and for which hedge accounting started to be applied since the latest annual report are as follows:

Contracts	Maturity	Early termination option	Notional Amounts June 30, 2015
Contracts for which hedge accounting has been applied since April 1, 2015:			
Interest rate swaps, 4.27% to 4.41%	2018	None	82,600
Interest rate swaps, 2.94% to 4.93%, amortizing	2026	None	48,887
Interest rate swaps, from 3.35% to 3.60%, amortizing	2027	None	36,488
Interest rate swap, 3.74%, amortizing	2030	None	92,694
Interest rate swap, 4.22%, amortizing	2030	2016	27,011
Interest rate swap, 4.25%, amortizing	2031	2016	42,626
Interest rate swap, 4.61%, amortizing	2035	2025	99,852
Interest rate swap, 2.85%, amortizing	2041	2016	19,192
			449,350

9. EARNINGS PER SHARE

The net earnings (loss) per share is computed as follows:

	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
Net earnings (loss) attributable to owners of the parent	22,808	(7,835)	(6,336)	(35,254)
Dividends declared on preferred shares	(1,782)	(1,782)	(3,563)	(3,563)
Net earnings (loss) available to common shareholders	21,026	(9,617)	(9,899)	(38,817)
Interest on convertible debentures	1,194	1,200	2,402	2,387
Income tax related to interest on convertible debentures	(310)	(312)	(625)	(621)
Net earnings (loss) available to common shareholders after dilutive elements	21,910	(8,729)	(8,122)	(37,051)
Weighted average number of common shares (in 000s)	101,235	96,513	101,071	96,172
Basic net earnings (loss) per share (\$)	0.21	(0.10)	(0.10)	(0.40)
Weighted average number of common shares (in 000s)	101,235	96,513	101,071	96,172
Effect of dilutive elements on common shares (in 000s) (a)	7,803	7,760	7,875	7,738
Diluted weighted average number of common shares (in 000s)	109,038	104,273	108,946	103,910
Diluted net earnings (loss) per share (\$) (b)	0.20	(0.10)	(0.10)	(0.40)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

- a. Stock options for which the exercise price was above the average market price of common shares were excluded from the calculation of diluted weighted average number of shares outstanding. During the three-month and six-month periods ended June 30, 2015, none of the 3,425,684 stock options (1,243,000 of the 3,073,684 for the three-month and the six-month periods ended June 30, 2014) were excluded.

During the three-month and six-month periods ended June 30, 2015, the 7,472,113 shares that can be issued on conversion of convertible debentures were dilutive (7,558,684 shares were dilutive in 2014).

- b. During the three-month period ended June 30, 2015, none of the 3,425,684 stock options (1,830,684 of the 3,073,684 stock options in 2014) and none of the 7,472,113 shares (all of the 7,558,684 shares in 2014) that can be issued on conversion of convertible debentures were excluded in the calculation of diluted net earnings per share available to common shareholders (diluted net loss per share in 2014). During the six-month period ended June 30, 2015, all of the 3,425,684 stock options (1,830,684 of the 3,073,684 in 2014) and all of the 7,472,113 shares (7,558,684 shares in 2014) that can be issued on conversion of convertible debentures were excluded as they were anti-dilutive in the calculation of the diluted net loss per share.

10. RESTRICTED CASH AND SHORT-TERM INVESTMENTS

As part of the Boulder Creek Power LP, Upper Lillooet River Power LP, Kwoiek Creek LP, Northwest Stave LP, Big Silver Creek Power LP and Tretheway 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.

Since the beginning of 2015, the restricted cash and short-term investments increased mainly due to net amounts of \$136,719 added to the restricted proceeds account of Upper Lillooet, Boulder Creek and Big Silver Creek, partly offset by transfers to cash and cash equivalent totaling \$27,025 following the conversion of the Kwoiek Creek LP and Northwest Stave LP construction loans to term loans, and to the usage of \$15,462 for the payment of ongoing construction costs at the Tretheway Creek LP facility. See note 12 for more detail.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

11. PROPERTY, PLANT AND EQUIPMENT

	Land	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	21	1,674	275	—	119,454	429	121,853
Business acquisition (Note 3)	—	(6,591)	—	—	—	—	(6,591)
Transfer from projects under development	—	—	—	—	34,169	—	34,169
Dispositions	—	—	—	—	—	(13)	(13)
Net foreign exchange differences	8	519	—	—	—	10	537
As at June 30, 2015	2,570	1,335,731	372,381	124,244	441,024	8,793	2,284,743
Accumulated depreciation							
As at January 1, 2015	—	(135,670)	(82,528)	(15,866)	—	(4,935)	(238,999)
Depreciation	—	(13,962)	(8,897)	(2,977)	—	(662)	(26,498)
Dispositions	—	—	—	—	—	13	13
Net foreign exchange differences	—	(160)	—	—	—	(9)	(169)
As at June 30, 2015	—	(149,792)	(91,425)	(18,843)	—	(5,593)	(265,653)
Carrying amount as at June 30, 2015	2,570	1,185,939	280,956	105,401	441,024	3,200	2,019,090

All of the property, plant and equipment are given as securities under the respective project financing or for corporate financing.

Additions in the current period include \$10,506 of capitalized financing costs (\$5,647 for the year ended December 31, 2014) 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 term credit facility are capitalized for the portion of the financing actually used for a specific property, plant and equipment.

The cost of facilities were reduced by investment tax credits of \$2,932 (\$1,408 as at December 31, 2014).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

12. LONG-TERM DEBT

a. Kwoiek Creek

On February 13, 2015, the non-recourse construction loan for the Kwoiek Creek hydroelectric facility was converted into a term loan, to be amortized over a 36-year period ending in 2052. The loan bears interest at a fixed rate of 5.08%.

b. Northwest Stave River

On February 13, 2015, the non-recourse construction loan for the Northwest Stave River hydroelectric facility was converted into a term loan, to be amortized over a 35-year period ending in 2053. The loan bears interest at a fixed rate of 5.30%.

c. Boulder Creek and Upper Lillooet River

On March 17, 2015, Boulder Creek Power Limited Partnership and Upper Lillooet River Power Limited Partnership have jointly closed a \$491,600 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 \$191,600 construction loan carrying a fixed interest rate of 4.22%; following the start of the facilities' commercial operations, 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 operations, 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 operations, it will convert into a 40-year term loan and its principal will be reimbursed at maturity.

This debt is secured by Boulder Creek Power L.P.'s and Upper Lillooet River Power L.P.'s assets.

d. Big Silver Creek

On June 22, 2015, Big Silver Creek Power Limited Partnership has closed a \$197,223 non-recourse construction and term project financing for the Big Silver Creek River run-of-river hydroelectric project.

The loan comprises three facilities, or tranches:

- A \$128,311 construction loan carrying a fixed interest rate of 4.761%; following the start of the facilities' commercial operations, it will convert into a 40-year term loan and the principal will be amortized after the 25-year term loan's maturity;
- A \$51,012 construction loan carrying a fixed interest rate of 4.565%; following the start of the facilities' commercial operations, it will convert into a 25-year term loan and the principal will begin to be amortized over a 18-year period starting in the seventh year;
- A \$17,900 construction loan carrying a fixed interest rate of 4.761%; following the start of the facilities' commercial operations, it will convert into a 40-year term loan and its principal will be reimbursed at maturity.

This debt is secured by Big Silver L.P.'s assets.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

13. SHAREHOLDERS' EQUITY

a. Convertible debentures converted in common shares

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.

b. Stock option plan

During the first quarter of 2015, 45,000 share options have been exercised at \$8.75 per share resulting in a \$394 proceed.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

14. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

	Foreign exchange gain (loss) on translation of self-sustaining foreign subsidiaries	Foreign exchange (loss) gain on the designated portion of the US dollar denominated debt used as hedge on the investment in self-sustaining foreign subsidiaries	Net currency translation reserve	Cash flow hedge interest rate risk	Share of joint venture in cash flow hedge interest rate risk	Total
Balance as at January 1, 2015	409	(171)	238	(253)	—	(15)
Exchange differences on translating foreign operations	624	—	624	—	—	624
Hedging (loss) gain of the reporting period	—	(620)	(620)	8,265	695	8,340
Related deferred tax	(82)	82	—	(2,179)	(183)	(2,362)
Balance as at June 30, 2015	951	(709)	242	5,833	512	6,587

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

15. ADDITIONAL INFORMATION TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

a. Changes in non-cash operating working capital items

	Six months ended June 30	
	2015	2014
Accounts receivable and income tax receivable	(10,713)	(22,300)
Prepaid and others	(700)	(1,266)
Accounts payable and other payables and income tax liabilities	10,233	851
	(1,180)	(22,715)

b. Additional information

	Six months ended June 30	
	2015	2014
Interest paid (including \$9,945 capitalized interest (\$1,040 in 2014))	46,954	37,799
<i>Non-cash transactions</i>		
in unpaid property, plant and equipment	13,557	21,759
in unpaid development costs	(4,218)	(3,634)
in common shares issued through the conversion of convertible debentures	(922)	—
in common shares issued through share options exercised	(68)	—
in common shares issued through dividend reinvestment plan	(5,154)	(4,199)
acquisition of assets for a project under development in exchange of the increase of a non-controlling interest in a subsidiary	—	(2,300)

16. RELATED PARTY TRANSACTIONS

The 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.

17. SEGMENT INFORMATION

Geographic segments

The Corporation owns interests in 25 hydroelectric facilities, six wind farms and one solar farm in Canada and one hydroelectric facility in the United States. For the three- and six-month periods ended June 30, 2015, revenues generated by the Horseshoe Bend hydroelectric facility located in the United States totalled \$1,347 and \$2,013 (\$1,365 and \$1,759 in 2014), representing a contribution of 1.9% and 1.6% (2.0% and 1.6% in 2014) to the Corporation's consolidated revenues for these periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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, other net expenses (revenues), share of (earnings) loss of joint ventures and unrealized net (gain) loss on derivative 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.

Three months ended June 30, 2015					
Operating segments	Hydroelectric generation	Wind power generation	Solar power generation	Site development	Total
Revenues	50,874	13,687	5,610	—	70,171
Expenses:					
Operating	8,458	2,473	169	—	11,100
General and administrative	1,977	955	42	752	3,726
Prospective projects	—	—	—	1,930	1,930
Earnings (loss) before finance costs, income taxes, depreciation, amortization, other net expenses, share of earnings of joint ventures and unrealized net gain on derivative financial instruments	40,439	10,259	5,399	(2,682)	53,415
Finance costs					24,540
Other net expenses					24,065
Earnings before income taxes, depreciation, amortization, share of earnings of joint ventures and unrealized net gain on derivative financial instruments					4,810
Depreciation					13,241
Amortization					5,540
Share of earnings of joint ventures					(2,200)
Unrealized net gain on derivative financial instruments					(43,096)
Earnings before income taxes					31,325

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Three months ended June 30, 2014					
Operating segments	Hydroelectric generation	Wind power generation	Solar power generation	Site development	Total
Revenues	54,348	9,329	5,972	—	69,649
Expenses:					
Operating	8,545	2,208	272	—	11,025
General and administrative	2,175	645	82	428	3,330
Prospective projects	—	—	—	1,477	1,477
Earnings (loss) before finance costs, income taxes, depreciation, amortization, other net revenues, share of earnings of joint ventures and unrealized net loss on derivative financial instruments	43,628	6,476	5,618	(1,905)	53,817
Finance costs					24,469
Other net revenues					(739)
Earnings before income taxes, depreciation, amortization, share of earnings of joint ventures and unrealized net loss on derivative financial instruments					30,087
Depreciation					13,679
Amortization					5,252
Share of earnings of joint ventures					(204)
Unrealized net loss on derivative financial instruments					29,147
Loss before income taxes					(17,787)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Six months ended June 30, 2015					
Operating segments	Hydroelectric generation	Wind power generation	Solar power generation	Site development	Total
Revenues	88,638	30,780	8,480	—	127,898
Expenses:					
Operating	15,257	4,708	382	—	20,347
General and administrative	4,375	1,889	85	1,549	7,898
Prospective projects	—	—	—	3,283	3,283
Earnings (loss) before finance costs, income taxes, depreciation, amortization, other net expenses, share of earnings of joint ventures and unrealized net gain on derivative financial instruments	69,006	24,183	8,013	(4,832)	96,370
Finance costs					40,957
Other net expenses					92,479
Loss before income taxes, depreciation, amortization, share of earnings of joint ventures and unrealized net gain on derivative financial instruments					(37,066)
Depreciation					26,498
Amortization					11,080
Share of earnings of joint ventures					(1,056)
Unrealized net gain on derivative financial instruments					(55,081)
Loss before income taxes					(18,507)

As at June 30, 2015					
Goodwill	8,269	—	—	—	8,269
Total assets	1,713,877	342,849	120,081	745,835	2,922,642
Total liabilities	1,234,053	223,139	110,442	834,906	2,402,540
Acquisition of property, plant and equipment during the period	1,790	329	—	119,734	121,853

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Six months ended June 30, 2014					
Operating segments	Hydroelectric generation	Wind power generation	Solar power generation	Site development	Total
Revenues	71,067	27,095	9,086	—	107,248
Expenses:					
Operating	13,605	4,478	587	—	18,670
General and administrative	4,332	1,526	165	861	6,884
Prospective projects	—	—	—	2,548	2,548
Earnings (loss) before finance costs, income taxes, depreciation, amortization, other net revenues, share of loss of joint ventures and unrealized net loss on derivative financial instruments	53,130	21,091	8,334	(3,409)	79,146
Finance costs					44,133
Other net revenues					(912)
Earnings before income taxes, depreciation, amortization, share of loss of joint ventures and unrealized net loss on derivative financial instruments					35,925
Depreciation					27,338
Amortization					10,440
Share of loss of joint ventures					792
Unrealized net loss on derivative financial instruments					65,177
Loss before income taxes					(67,822)

As at December 31, 2014					
Goodwill	8,269	—	—	—	8,269
Total assets	1,752,495	352,723	120,957	489,840	2,716,015
Total liabilities	1,241,530	238,450	111,814	561,996	2,153,790
Acquisition of property, plant and equipment during the year	123,185	549	161	223,405	347,300

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

18. 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 (\$)
08/05/2015	09/30/2015	10/15/2015	0.1550	0.3125	0.359375

b. The Upper Lillooet Hydro Project impacted by forest fire

On July 6, 2015 the Corporation announced that the Upper Lillooet Hydro Project ("ULHP") construction site in British Columbia had been impacted by a forest fire. The Boulder Creek fire was ignited by lightning on June 30, sweeping through the area of the construction site on July 5.

On July 4, all personnel were safely evacuated from the ULHP construction as a result of the forest fire. The construction site is currently under a BC Wildfire Services area restriction order. Since the evacuation, the Corporation and its contractors have had limited access to the site and have not been able to make a full assessment of the potential damages to the Upper Lillooet River and Boulder Creek projects. Nonetheless, the forest fire does not appear to have reached the major infrastructure areas, except for a portion of the transmission line between the two powerhouses.

The ULHP has insurance coverage for this kind of natural disaster, for both damages and delays incurred. The process of quantifying damages, adjusting the construction schedule and expected commissioning date and processing the insurance claims has started, but will take time to complete.

c. Convertible Debenture Offering and Issuance of a Notice of Redemption of Existing 5.75% Convertible Debenture

On July 20, 2015, the Corporation announced an offering on a bought deal basis of \$100,000 of convertible, unsecured, subordinated debentures bearing interest at a rate of 4.25% and maturing on August 31, 2020. 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 \$1,000 principal amount of debentures.

The Corporation also issued a notice of redemption for all of the existing 5.75% convertible unsecured subordinated debentures maturing on April 30, 2017, issued and outstanding as of August 20, 2015. Up to but excluding that date, holders of the 5.75% convertible debentures have the right to convert their debentures into Innergex common shares at a conversion price of \$10.65 per common share.

The net proceeds of the 4.25% convertible debenture offering will initially be used by the Corporation to reduce drawings under its revolving term credit facility. The funds available under the revolving term credit facility will then be available to be drawn, as required, to finance the redemption of all outstanding 5.75% convertible debentures on August 20, 2015, and to fund future acquisitions, development projects and/or general corporate purposes.

d. Changes to the Dividend Reinvestment Plan

In view of current market conditions, the Corporation has elected to eliminate the 2.5% discount applicable to the purchase price of shares issued to shareholders participating in the Dividend Reinvestment Plan. This change came into effect on August 5, 2015.

INFORMATION FOR INVESTORS

Stock Exchange Listing

Common shares of Innergex Renewable Energy Inc. are listed on the TSX under the symbol INE.
Series A Preferred Shares of Innergex Renewable Energy Inc. are listed on the TSX under the symbol INE.PR.A.
Series C Preferred Shares of Innergex Renewable Energy Inc. are listed on the TSX under the symbol INE.PR.C.
Convertible Debentures of Innergex Renewable Energy Inc. are listed on the TSX under the symbol INE.DB.

Rating Agencies

Innergex Renewable Energy Inc. is rated BBB- by S&P.
Series A Preferred Shares of Innergex Renewable Energy Inc. are rated P-3 by S&P.
Series C Preferred Shares of Innergex Renewable Energy Inc. are rated P-3 by S&P.

Transfer Agent and Registrar

Computershare Investor Services Inc.
1500 Robert-Bourassa Blvd, Suite 700, Montreal, Quebec, H3A 3S8
Telephone: 1 800 564-6253 or 514 982-7555
Email: service@computershare.com

Dividend Reinvestment Plan

Innergex Renewable Energy Inc. implemented a Dividend Reinvestment Plan (DRIP) for its common shareholders, which 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 or contact the DRIP administrator, Computershare Trust Company of Canada.

Independent Auditor

Deloitte LLP

Investor Relations

If you have inquiries, please visit our website or contact:

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