



INNERGEX

INNERGEX RENEWABLE ENERGY INC.

QUARTERLY REPORT 2018

FOR THE
PERIOD ENDED
SEPTEMBER 30, 2018

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



Innergex Renewable Energy Inc. is a leading Canadian independent renewable power producer. Active since 1990, the Corporation develops, acquires, owns and operates hydroelectric facilities, wind farms, solar farms and geothermal power facilities and carries out its operations in Canada, the United States, France, Chile and Iceland. The Corporation's shares are listed on the Toronto Stock Exchange under the symbols INE, INE.PR.A and INE.PR.C and its convertible debentures are listed under the symbol INE.DB.A and INE.DB.B.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 nine-month periods ended September 30, 2018, and reflects all material events up to November 13, 2018, 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 interim financial statements and the accompanying notes for the three- and nine-month periods ended September 30, 2018.

The unaudited condensed consolidated interim financial statements attached to this MD&A and the accompanying notes for the three- and nine-month periods ended September 30, 2018, along with the 2017 comparative figures, have 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. Please refer to the "Non-IFRS Measures" section for more information.

All dollar amounts are in thousands of Canadian dollars, except amounts per share or unless otherwise indicated. Some amounts included in this MD&A have been rounded to make reading easier, which may affect some calculations.

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"). Please refer to the "Forward-Looking Information" section for more information.

Additional information relating to Innergex, including its Annual Information Form, can be found on the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval ("SEDAR") at sedar.com or on the Corporation's website at innegex.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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HIGHLIGHTS

- Production increased 25% for the three-month period ended September 30, 2018, compared with the same period last year and was 91% of the long-term average ("LTA").
- Revenues increased 30% to \$140.8 million for the three-month period ended September 30, 2018 compared with the same period last year.
- Adjusted EBITDA rose 12% to \$91.6 million for the three-month period ended September 30, 2018 compared to the same period last year.
- On July 2, 2018, Innergex acquired the 315 MW_{DC} Phoebe photovoltaic solar project located in Texas for which full notice to proceed with construction was issued on the same day.
- On July 3, 2018, Innergex completed the acquisition of 50% of Energia Llama SpA ("Energia Llama"), which, on July 5, 2018, completed the acquisition of the Duqueco hydro project in Chile.
- On August 2, 2018, Innergex announced a final agreement to acquire TransCanada's interest in the five Cartier wind farms, which transaction closed on October 24, 2018.

Financial Highlights

	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
OPERATING RESULTS		Restated ⁴		Restated ⁴
Production (MWh)	1,556,891	1,243,099	4,516,559	3,288,151
Revenues	140,768	108,234	408,190	292,290
Adjusted EBITDA ¹	91,634	81,803	270,104	218,664
Innergex's share of Adjusted EBITDA of joint ventures and associates ^{1,2}	25,998	1,328	43,547	6,475
Adjusted EBITDA Proportionate ¹	117,632	83,131	313,651	225,139
Adjusted EBITDA Margin ¹	65.1%	75.6%	66.2%	74.8%
Net Earnings	9,431	4,251	11,629	15,748
Adjusted Net Earnings ¹	19,516	4,814	13,773	11,934
COMMON SHARES				
Dividends declared	22,576	17,926	67,607	53,701
Weighted Average Number of Common Shares (in 000s)	132,759	108,567	129,329	108,447
			Trailing twelve months ended September 30	
			2018	2017
CASH FLOWS				
Cash Flow From Operating Activities			245,849	80,801
Free Cash Flow ^{1,3}			97,488	88,889
Payout Ratio ^{1,3}			88%	80%

- Adjusted EBITDA, Innergex's share of Adjusted EBITDA of joint ventures and associates, Adjusted EBITDA Proportionate, Adjusted EBITDA Margin, Adjusted Net Earnings (Loss), Free Cash Flow and Payout Ratio are not recognized measures under IFRS and therefore may not be comparable to those presented by other issuers. Please refer to the "Non-IFRS Measures" section of this MD&A for more information.
- For more information on the calculation of Innergex's share of Adjusted EBITDA of joint ventures and associates, please refer to the "Investments in Joint Ventures and Associates" section.
- 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 more information on the restatement, please refer to the "Accounting Changes" section.

	As at	
	September 30, 2018	December 31, 2017
FINANCIAL POSITION		Restated ¹
Total Assets	5,640,347	4,190,456
Non-Current Liabilities	4,379,270	3,490,350
Non-Controlling Interests	315,047	14,920
Equity Attributable to Owners	659,496	438,342

1. For more information on the restatement, please refer to the "Accounting Changes" section.

OVERVIEW

The Corporation is a developer, acquirer, owner and operator of renewable power-generating facilities with a focus on hydroelectric, wind power, geothermal power and solar power projects that benefit from 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:

- 68 facilities in commercial operation (the "Operating Facilities"). Commissioned between 1978 and March 2018, the facilities have a weighted average age of approximately 9.3 years. They mostly sell the generated power under long-term power purchase agreements, power hedge contracts or short- and long-term industrial and retail contracts (each, a "PPA") that have a weighted average remaining life of 15.9 years (based on gross long-term average production);
- Five projects scheduled to begin commercial operations between 2019 and 2022 (the "Development Projects");
- Numerous projects that have secured land rights, for which an investigative permit application has been filed or for which a proposal has 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.

Some Prospective Projects are targeted toward specific future Requests for Proposals and other Prospective Projects are maintained or continue to advance and will be available for future requests for proposals yet to be announced or are targeted toward negotiated PPAs with public utilities or other retail, financial or commercial entities or other various arrangements in Canada or in other countries such as France, the United States, Chile and Iceland. These numerous Prospective Projects have a combined potential net installed capacity of 8,382 MW (gross 9,255 MW).

There is no certainty that any Prospective Project will be realized.

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

<i>(in MW)</i>	68 Operating Facilities	5 Development Projects	Numerous Prospective Projects
HYDRO			
Net	797	54	2,082
Gross	1,181	135	2,470
WIND			
Net	1,138	353	5,975
Gross	1,629	353	6,385
GEOHERMAL			
Net	94	—	85
Gross	174	—	160
SOLAR			
Net	62	315	240
Gross	88	315	240
TOTAL			
Net	2,091	722	8,382
Gross	3,072	803	9,255

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 sustainable dividend.

Maintain Diversification of Energy Sources

The Corporation strives to maintain a diversified portfolio of assets in terms of geography and sources of energy to alleviate any seasonal and production variations. The amount of electricity generated by the Operating Facilities is generally dependent on the availability of water flows, wind regimes, geothermal resources and solar irradiation. Lower-than-expected water flows, wind regimes, geothermal resources 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 37 hydroelectric facilities, which draw on 31 watersheds, 25 wind farms, 2 geothermal plants and 4 solar farms, providing significant diversification in terms of operating revenue sources. Furthermore, the nature of hydroelectric, wind, geothermal and solar power generation partially offsets any seasonal variations, as illustrated in the following table:

<i>In GWh and %</i>	Consolidated long-term average production ¹								
	Q1		Q2		Q3		Q4		Total
HYDRO	370	12%	1,065	35%	1,002	33%	581	19%	3,018
WIND	595	30%	436	22%	388	20%	560	28%	1,979
GEOHERMAL	320	25%	320	25%	320	25%	320	25%	1,280
SOLAR	7	19%	12	33%	13	33%	6	15%	38
Total	1,292	20%	1,833	29%	1,723	27%	1,467	23%	6,315

1. The consolidated long-term average production is the annualized LTA for the facilities in operation at November 13, 2018. 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 and Associates" section.

KEY PERFORMANCE INDICATORS

The Corporation measures its performance using key performance indicators.

- Power generation comparison with a long-term average in megawatt-hours (“MWh”) and gigawatt-hours (“GWh”);
- Adjusted EBITDA, Adjusted EBITDA Margin and Adjusted EBITDA Proportionate;
- Adjusted Net Earnings (Loss);
- Free Cash Flow; and
- Payout Ratio.

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. The indicators also facilitate the comparison of results over different periods.

These indicators are not recognized measures under IFRS, have no standardized meaning prescribed by IFRS and therefore may not be comparable to those presented by other issuers. Please refer to the "Non-IFRS Measures" section for more information.

THIRD QUARTER UPDATE

Acquisition of a solar project in Texas, United States

On July 2, 2018, the Corporation acquired the 250 MW_{AC}/315 MW_{DC} Phoebe photovoltaic solar project located in Winkler County, Texas. Full notice to proceed with construction was also issued on July 2, 2018, and commercial operation should be reached in the third quarter of 2019. The project is expecting a projected Adjusted EBITDA of approximately US\$20.2 million (\$26.7 million) for 12 months of operation. Following cash distributions to the tax equity investor, the distributions receivable by Innergex prior to debt service would be approximately US\$13.8 million (\$18.2 million). The project is also eligible for a U.S. federal Investment Tax Credit (ITC) equal to approximately 30% of the project's capital costs. The ITC will be allocated mostly to the Tax Equity Investor. After the seventh year of operation, it is expected that approximately 95% of the projected Adjusted EBITDA, corresponding to about US\$19.6 million (\$25.9 million), would be realized.

Total construction costs are estimated at US\$397.0 million (\$524.0 million) and will be partly financed in priority through a US\$115.9 million construction loan and a US\$176.2 million tax equity bridge loan. The construction loan will be replaced by a term loan and the tax equity bridge loan will be retired by equity funding from the Tax Equity Investor upon completion of certain project milestones. A subsidiary of Innergex issued a letter of credit for an amount of US\$212.0 million in support of its obligations under these financing agreements.

Partnership and acquisition in Chile

On July 3, 2018, Innergex acquired a 50% ownership in Energia Llaima, which owns interests in the Guyacán hydro facility (12 MW) and Pampa Elvira solar facility (34 MW), which should generate projected Adjusted EBITDA of approximately US\$6.5 million (\$8.5 million). Energia Llaima also owns interest in two hydro facilities in development (125 MW) and other early development stage projects. Innergex invested an initial US\$10 million (\$13.2 million) using funds available under its corporate revolving credit facilities and has agreed to invest an additional US\$100 million (\$131.5 million) over a 12-month period, US\$90 million of which was invested in the acquisition of the Duqueco hydro project.

On July 5, 2018, Energia Llaima completed the previously announced acquisition of the 140 MW Duqueco hydro project in Chile. The Duqueco hydro project includes two hydro facilities commissioned in 2001, Peuchén (85 MW) and Mampil (55 MW). Innergex expects an Adjusted EBITDA of approximately US\$21 million (\$27.6 million) annually for the Duqueco project. The purchase price, net of an estimated US\$10 million (\$13.2 million) of cash, is approximately US\$210 million (\$276.2 million), subject to certain adjustments. A US\$130 million (\$171.0 million) 15-year term financing has been arranged and underwritten. The 15-year term is comprised of a bullet loan of US\$70 million (\$92.1 million) and carries a variable interest rate for which the Corporation intends to reduce its exposure by entering into long-term hedging instruments. The proceeds of the loan were used to pay a portion of the purchase price. Energia Llaima's net share of the remaining purchase price amounted to about US\$80 million (\$105.2 million). In addition, Energia Llaima made a US\$10 million (\$13.2 million) deposit to secure financing.

Notice to appeal on water rights

On March 23, 2017, the Comptroller of the Water Rights issued adjusted rental statements to the Harrison Hydro L.P. and its subsidiaries for the years 2011 and 2012 for an amount of \$3.3 million in aggregate regarding water rental rates to be charged under the Water Act. The amount claimed was paid under protest and Harrison Hydro L.P. and its subsidiaries filed a notice of appeal of the decision to the Environmental Appeal Board, which was stayed until August 2018. This appeal will now go forward.

Acquisition of our partner's interest in the five Cartier wind farms

On August 2, 2018, the Corporation announced that it had signed a final agreement to acquire TransCanada's 62% interest in five wind farms in Quebec's Gaspé peninsula, known as Baie-des-Sables, Carleton, Gros-Morne, L'Anse-à-Valleau and Montagne Sèche (the "Cartier Wind Farms"), and its 50% interest in the operating entities of the Cartier Wind Farms (the "Cartier Operating Entities"). Innergex already owned the remaining interests in both the Cartier Wind Farms and Cartier Operating Entities. This acquisition was completed on October 24, 2018, for a total consideration of approximately \$620 million after adjustment for distributions received by TransCanada since July 1, 2018.

The Cartier Wind Farms are located in the Gaspésie region of Quebec. With an aggregated gross installed capacity of 590 MW, the expected long-term average annual power generation is approximately 1,780 GWh, enough to power about 80,900 Quebec households. All the electricity produced by these wind farms is sold to Hydro-Québec under existing PPAs at fixed prices, a portion of which is adjusted according to inflation indexes, for initial terms of 20 years, ending between 2026 and 2032.

Innergex expects the 62% acquired interest in the Cartier Wind Farms to generate revenues of approximately \$82.9 million and projected Adjusted EBITDA of approximately \$68.4 million annually.

Concurrent with the closing of the acquisition, Innergex obtained two short-term credit facilities to cover the purchase price and transaction costs in their entirety.

Innergex has obtained a \$400 million one-year non-recourse credit facility, which the Corporation intends to repay using the proceeds of a non-recourse long-term project level financing based on the useful life of the assets. Discussions with long-term lenders are at an advanced stage and the closing of the non-recourse long-term financing of the projects is expected in the coming months.

Innergex has also obtained a one-year term credit facility of \$228 million to be reimbursed through the strategic divestment of selected assets that would be optimal for the long-term performance and outlook of the Corporation. Management believes there are a number of attractive, actionable opportunities to monetize selected assets or portions of existing assets in a manner that supports Innergex's long-term strategy. The Corporation will diligently investigate these options to derive maximum value from its portfolio of assets. The timing is subject to prevailing market conditions, any such sales are expected to be completed within a year.

Construction Activities

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

	Ownership %	Gross installed capacity (MW)	Expected COD	Gross estimated LTA ¹ (GWh)	PPA term (years)	Total project cost		Expected first full year	
						Estimated ¹ (\$M)	Revenues ¹ (\$M)	Adjusted EBITDA ¹ (\$M)	
HYDRO (Iceland)									
Brúarvirkjun	53.9	10.0	2020	80.0	- ⁴	53.8 ²	4.2 ²	3.2 ²	
SOLAR (United States)									
Phoebe	100.0 ⁵	315.0	2019	738.0	12 ⁵	524.0 ²	34.6 ²	26.7 ²	

1. This information is intended to inform readers of the projects' potential impact on the Corporation's results. Actual results may vary. These estimates are up-to-date as at the date of this MD&A.

2. Corresponding to 100% of this facility.

3. Adjusted EBITDA is not a recognized measure under IFRS and therefore may not be comparable to those presented by other issuers. Please refer to the "Non-IFRS Measures" section of this MD&A for more information.

4. Power generated to be sold on the retail market.

5. Ownership interest is 100% of the sponsor equity in Phoebe. However, following tax equity funding, a tax equity partner will hold 100% of the tax equity interests.

Brúarvirkjun

The Brúarvirkjun hydro project was acquired in the first quarter of 2018 as part of the acquisition of Alterra Power Corp. ("Alterra") in February 2018. Site preparation work was already under way at the time of the acquisition.

As at the date of this MD&A, construction work continues on site with major civil work at the intake and powerhouse location. At the intake, the river diversions have been completed and excavation for the intake structure is nearly complete with installation of the tower crane performed in October. Excavation for the penstock alignment is ongoing and at the powerhouse, excavation is complete and the foundation construction has commenced. Manufacturing has commenced on all of the major supply contracts including the turbine generators, penstock, gates and transformer. Deliveries of major components are scheduled to start in 2019. The project has received its Environmental Impact Assessment ("EIA") and obtained all necessary water rights, land contracts, exploration permits, development licence and municipal approvals through a specific local land-use plan. The project continues to face an appeal before the Appellate Committee for Environment and Resources to claim a voiding of the construction permit. A formal response was filed against the issues and grounds raised. Commissioning is expected to occur in the first half of 2020.

Phoebe

The 315 MW_{DC} Phoebe solar photovoltaic project was acquired in the third quarter of 2018. The EPC contractor is positioned on the project site and performing civil works as well as detailed design and procurement. Commercial operation is expected to begin in the third quarter of 2019.

The Phoebe project will sell 100% of its output to the ERCOT power grid and receive a fixed price on 89% of its energy produced under a 12-year PPA.

Development Activities

Foard City

The 352.8 MW Foard City wind project was acquired in the first quarter of 2018, as part of the acquisition of Alterra. Full notice to proceed with construction is expected to be issued in the fourth quarter of 2018 to achieve commercial operation in the third quarter of 2019. The project has a 12-year power purchase agreement for 300 MW for which sales will start upon the facility reaching commercial operation. The Corporation expects projected Adjusted EBITDA to be over \$10 million annually for the project which will also benefit from PTCs.

As of the date of this MD&A, detailed design is well advanced and procurement is ongoing. The EPC contractor has started mobilizing to the project site.

Frontera

The 109 MW Frontera hydro project was acquired in the third quarter of 2018, as part of the investment in Energia Llaima. Full notice to proceed with construction is expected to be issued in 2019 to achieve commercial operation in 2022.

As at the date of this MD&A, the project is almost shovel-ready. The project obtained most of the rights and permits to proceed with construction, including technical and environmental approvals. The most important remaining step is the financing process, which is under way.

El Canelo

The 16 MW El Canelo hydro project was acquired in the third quarter of 2018, as part of the investment in Energia Llaima. Full notice to proceed with construction is expected to be issued in 2019, to achieve commercial operation in 2021.

As at the date of this MD&A, the project continues its permitting process, including obtaining environmental and technical approvals. The project initial design was reviewed to address various constraints, which delayed the permitting process.

OPERATING RESULTS

The Corporation's operating results for the three- and nine-month periods ended September 30, 2018, are compared with the operating results for the same period in 2017.

Electricity production in the quarter was 91% of the LTA production due to below-average water flows across Canada and below-average wind regimes in France.

Production increased 25%, revenues increased 30% and Adjusted EBITDA increased 12% in the quarter. These increases are attributable mainly to the contribution of the facilities acquired in 2018.

Electricity Production

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

	Three months ended September 30					
	2018			2017		
	Production (MWh) ¹	LTA (MWh)	Production as a % of LTA	Production (MWh) ¹	LTA (MWh)	Production as a % of LTA
HYDRO						
Quebec	150,902	180,225	84%	196,858	180,225	109%
Ontario	7,477	8,233	91%	17,537	8,233	213%
British Columbia	707,332	796,474	89%	701,262	796,945	88%
United States	14,126	16,694	85%	15,624	16,694	94%
Subtotal	879,837	1,001,626	88%	931,281	1,002,097	93%
WIND						
Quebec	234,976	227,748	103%	204,664	247,348	83%
France	100,029	140,544	71%	92,812	112,166	83%
Subtotal	335,005	368,292	91%	297,476	359,514	83%
GEOHERMAL						
Iceland	328,080	319,740	103%	—	—	—
SOLAR						
Ontario	13,969	12,370	113%	14,342	12,457	115%
Total	1,556,891	1,702,028	91%	1,243,099	1,374,068	90%

1. The Dokie, Flat Top, Guyacán, Jimmie Creek, Kokomo, Mampil, Pampa Elvira, Peuchén, Shannon, Spartan, Toba Montrose, Umbata Falls and Viger-Denonville facilities are treated as joint ventures and associates and accounted for using the equity method; their revenues are not included in the Corporation's consolidated revenues and, for consistency's sake, their electricity production figures have been excluded from the production table. For more information on the Corporation's joint ventures and associates, please refer to the "Investments in Joint Ventures and Associates" section.

During the three-month period ended September 30, 2018, the Corporation's facilities produced 1,556,891 MWh of electricity or 91% of the LTA of 1,702,028 MWh. Overall, the hydroelectric facilities produced 88% of their LTA due mainly to below-average water flows across all regions. Overall, the wind farms produced 91% of their LTA due mainly to below-average wind regimes in France, partly offset by slightly above-average wind regimes in Quebec. The geothermal facilities produced 103% of their LTA. The Stardale solar farm produced 113% of its LTA due to an above-average solar regime. For more information on operating segment results, please refer to the "Segment Information" section.

The 25% production increase over the same period last year is due mainly to the contribution of the geothermal facilities acquired from Alterra in 2018, to higher production at the Mesgi'g Ugju's'n and Upper Lilloet River facilities, to better performance at the Quebec wind facilities and to the French wind facilities commissioned in 2017, partly offset by lower production at the hydro facilities.

	Nine months ended September 30					
	2018			2017		
	Production (MWh) ¹	LTA (MWh)	Production as a % of LTA	Production (MWh) ¹	LTA (MWh)	Production as a % of LTA
HYDRO						
Quebec	492,322	518,444	95%	552,446	518,444	107%
Ontario	50,604	53,332	95%	63,401	53,332	119%
British Columbia	1,709,257	1,822,904	94%	1,618,614	1,803,362	90%
United States	42,896	41,577	103%	32,061	41,577	77%
Subtotal	2,295,079	2,436,257	94%	2,266,522	2,416,715	94%
WIND						
Quebec	880,210	884,216	100%	743,459	892,923	83%
France	461,559	525,374	88%	243,669	290,000	84%
Subtotal	1,341,769	1,409,590	95%	987,128	1,182,923	83%
GEOHERMAL						
Iceland ²	845,297	834,608	101%	—	—	—
SOLAR						
Ontario	34,414	31,702	109%	34,501	31,926	108%
Total	4,516,559	4,712,157	96%	3,288,151	3,631,564	91%

1. The Dokie, Flat Top, Guyacán, Jimmie Creek, Kokomo, Mampil, Pampa Elvira, Peuchén, Shannon, Spartan, Toba Montrose, Umbata Falls and Viger-Denonville facilities are treated as joint ventures and associates and accounted for using the equity method; their revenues are not included in the Corporation's consolidated revenues and, for consistency's sake, their electricity production figures have been excluded from the production table. For more information on the Corporation's joint ventures and associates, please refer to the "Investments in Joint Ventures and Associates" section.
2. Production and LTA for the period from February 6, 2018, to September 30, 2018.

During the nine-month period ended September 30, 2018, the Corporation's facilities produced 4,516,559 MWh of electricity or 96% of the LTA of 4,712,157 MWh. Overall, the hydroelectric facilities produced 94% of their LTA due mainly to below-average water flows in British Columbia, Quebec and Ontario and to challenging post-commissioning activities that have mostly been addressed at the Upper Lillooet River hydro facility. Overall, the wind farms produced 95% of their LTA due mainly to below-average wind regimes and outages caused by maintenance activities in France and from continuing performance improvement work at Mesgi'g Ugnu's'n, partly offset by above-average wind regimes in Quebec and by compensation received from a manufacturer for low availability of equipment at a wind farm. The geothermal facilities produced 101% of their LTA. The Stardale solar farm produced 109% of its LTA due to an above-average solar regime. For more information on operating segment results, please refer to the "Segment Information" section.

The 37% production increase compared with the same period last year is due mainly to the contribution of the geothermal facilities acquired with Alterra in February 2018 and in France in 2017, to higher production at the Mesgi'g Ugnu's'n and Upper Lillooet River facilities and to better performance at the Quebec wind facilities.

The overall performance of the Corporation's facilities for the periods ended September 30, 2018, demonstrates the benefits of geographic diversification and the complementarity of hydroelectric, wind, geothermal and solar power generation.

Financial Results

	Three months ended September 30				Nine months ended September 30			
	2018	2017	Change		2018	2017	Change	
		Restated ³				Restated ³		
Revenues	140,768	108,234	32,534	30 %	408,190	292,290	115,900	40 %
Operating expenses	36,634	18,092	18,542	102 %	100,056	51,396	48,660	95 %
General and administrative expenses	8,180	4,689	3,491	74 %	24,737	14,024	10,713	76 %
Prospective project expenses	4,320	3,650	670	18 %	13,293	8,206	5,087	62 %
Adjusted EBITDA ¹	91,634	81,803	9,831	12 %	270,104	218,664	51,440	24 %
Adjusted EBITDA margin ¹	65.1%	75.6%			66.2%	74.8%		
Finance costs	48,457	38,189	10,268	27 %	143,566	106,916	36,650	34 %
Other net expenses (revenues)	2,519	746	1,773	238 %	6,134	(26)	6,160	(23,692)%
Depreciation and amortization	41,342	33,407	7,935	24 %	122,281	94,952	27,329	29 %
Share of earnings of joint ventures (note 2)	(15,279)	(394)	(14,885)	3,778 %	(17,117)	(2,931)	(14,186)	484 %
Unrealized net loss (gain) on financial instruments	2,967	1,009	1,958	194 %	2,293	(3,596)	5,889	(164)%
Income taxes expenses	2,197	4,595	(2,398)	(52)%	1,318	7,601	(6,283)	(83)%
Net earnings	9,431	4,251	5,180	122 %	11,629	15,748	(4,119)	(26)%
Net earnings attributable to:								
Owners of the parent	10,736	5,738	4,998	87 %	17,450	22,493	(5,043)	(22)%
Non-controlling interests	(1,305)	(1,487)	182	(12)%	(5,821)	(6,745)	924	(14)%
	9,431	4,251	5,180	122 %	11,629	15,748	(4,119)	(26)%
Basic net earnings per share (\$)	0.07	0.04			0.10	0.17		

1. Adjusted EBITDA and Adjusted EBITDA Margin are not recognized measures under IFRS and therefore may not be comparable to those presented by other issuers. Please refer to the "Non-IFRS Measures" section of this MD&A for more information.

2. The Dokie, Flat Top, Guyacán, Jimmie Creek, Kokomo, Mampil, Pampa Elvira, Peuchén, Shannon, Spartan, Toba Montrose, Umbata Falls and Viger-Denonville facilities are treated as joint ventures and associates and accounted for using the equity method; their revenues are not included in the Corporation's consolidated revenues. For more information on the Corporation's joint ventures and associates, please refer to the "Investments in Joint Ventures and Associates" section.

3. For more information on the restatement, please refer to the "Accounting Changes" section.

Revenues

Up 30% to \$140.8 million for the three-month period ended September 30, 2018

Up 40% to \$408.2 million for the nine-month period ended September 30, 2018

These increases are attributable mainly to the contribution of the geothermal facilities acquired from Alterra in February 2018, to higher production at the Mesgi'g Ugnu's'n and Upper Lillooet River facilities and to the contribution of Rougemont-2, Plan Fleury and Les Renardières wind facilities commissioned in 2017. The increase for the nine-month period is also due to the contribution of the wind facilities acquired in France in 2017 and to a revenue compensation received from a manufacturer for low-availability of equipment at a wind farm.

Expenses

Up 86% to \$49.1 million for the three-month period ended September 30, 2018

Up 88% to \$138.1 million for the nine-month period ended September 30, 2018

Operating expenses consist primarily of the operators' salaries, insurance premiums, expenditures related to operation and maintenance, property taxes, royalties and cost of power (if applicable). For the three- and nine-month periods ended September 30, 2018, the Corporation recorded operating expenses of \$36.6 million and \$100.1 million respectively (\$18.1 million

and \$51.4 million for the corresponding periods in 2017). The 102% and 95% increases for the three- and nine-month periods are attributable mainly to the acquisition of Alterra in February 2018 and the challenging post-commissioning activities that have now mostly been addressed at the Upper Lillooet River hydro facility. The increase for the nine-month period is also attributable to the acquisition of wind facilities in France in 2017. The operating expenses for the geothermal facilities operated by HS Orka in Iceland are higher, as maintenance and daily operations require more work. To supplement its power production, HS Orka purchases power when needed, contributing to higher operating expenses. These two factors related to HS Orka mostly explain the higher increase in the operating expenses compared with the increase in revenues. In 2017, operating expenses for the nine-month period were impacted by a \$3.3 million aggregate payment related to water rights for 2011 and 2012 for Fire Creek, Lamont Creek, Stokke Creek, Tipella Creek and Upper Stave River, which were reassessed following the decision by the British Columbia Ministry of Forests, Lands and Natural Resource Operations to apply higher rental rates based on the facilities' combined production rather than apply lower rates for each facility based on its individual production, as had previously been the ministry's practice. The Corporation has filed an appeal of this decision with the Environmental Appeal Board. Since 2013, these facilities' water rights fees have been paid at the higher rates. A 49.99% portion of the water rights payment was allocated to the non-controlling interests.

General and administrative expenses consist primarily of salaries, professional fees and office expenses. For the three- and nine-month periods ended September 30, 2018, general and administrative expenses totalled \$8.2 million and \$24.7 million respectively (\$4.7 million and \$14.0 million for the corresponding periods in 2017). The 74% and 76% increases for the three- and nine-month periods stem mainly from the acquisition of Alterra, which included the HS Orka geothermal operations, and from the greater number of facilities in operation.

Prospective project expenses include the costs incurred for the development of Prospective Projects. They are related to the number of Prospective Projects that the Corporation chooses to advance and the resources required to do so. For the three- and nine-month periods ended September 30, 2018, prospective project expenses totalled \$4.3 million and \$13.3 million respectively (\$3.7 million and \$8.2 million for the corresponding periods in 2017). The 18% and 62% increases for the periods are mainly attributable to activities undertaken to submit projects in response to requests for proposals, pursuing opportunities in new international markets, to future requests for proposals and expressions of interest in Canadian provinces, and to the advancement of a number of prospective projects.

Adjusted EBITDA

Up 12% to \$91.6 million for the three-month period ended September 30, 2018

Up 24% to \$270.1 million for the nine-month period ended September 30, 2018

Adjusted EBITDA, which is defined as revenues less operating expenses, general and administrative expenses and prospective project expenses, is a key performance indicator when evaluating the Corporation's financial results. Adjusted EBITDA is not a recognized measure under IFRS, has no standardized meaning prescribed by IFRS and therefore may not be comparable with those presented by other issuers. Please refer to the "Non-IFRS Measures" section for more information.

These increases for the three- and nine-month periods are due mainly to higher production and revenues from the facilities commissioned and acquired in 2017 and 2018, partly offset by higher operating expenses, general and administrative expenses and prospective project expenses. The Adjusted EBITDA Margin decreased from 75.6% to 65.1% for the three-month period and from 74.8% to 66.2% for the nine-month period due mainly to a larger increase in expenses as opposed to the increase in revenues resulting from the integration of the HS Orka geothermal operations, which generate a lower margin due to its higher maintenance, daily operating costs and power purchasing costs. The decrease is also attributable to challenging post-commissioning activities that have now been mostly addressed at the Upper Lillooet River facility.

Adjusted EBITDA Proportionate

Up 42% to \$117.6 million for the three-month period ended September 30, 2018

Up 39% to \$313.7 million for the nine-month period ended September 30, 2018

Adjusted EBITDA Proportionate, which is defined as Adjusted EBITDA plus Innergex's share of Adjusted EBITDA of the joint ventures and associates, is a key performance indicator when evaluating the Corporation's financial results. Adjusted EBITDA Proportionate is not a recognized measure under IFRS, has no standardized meaning prescribed by IFRS and therefore may not be comparable with those presented by other issuers. Please refer to the "Non-IFRS Measures" section for more information.

	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Adjusted EBITDA ¹	91,634	81,803	270,104	218,664
Innergex's share of Adjusted EBITDA of joint ventures and associates ^{1,2}	25,998	1,328	43,547	6,475
Adjusted EBITDA Proportionate ¹	117,632	83,131	313,651	225,139

1. Adjusted EBITDA, Innergex's share of Adjusted EBITDA of joint ventures and associates and Adjusted EBITDA Proportionate are not recognized measures under IFRS and therefore may not be comparable to those presented by other issuers. Please refer to the "Non-IFRS Measures" section of this MD&A for more information.

2. Please refer to the "Investments in Joint Ventures and Associates" section of this MD&A for more information.

These increases in Adjusted EBITDA Proportionate for the three- and nine-month periods are due mainly to higher Adjusted EBITDA and a higher Innergex's share of Adjusted EBITDA of joint ventures and associates stemming from the addition of the facilities acquired from Alterra and Energia Llama in 2018.

Finance Costs

Up 27% to \$48.5 million for the three-month period ended September 30, 2018

Up 34% to \$143.6 million for the nine-month period ended September 30, 2018

Finance costs include interest on long-term debt and convertible debentures, inflation compensation interest, amortization of financing fees, accretion of long-term debt and convertible debentures, accretion expenses on other liabilities and other finance costs. The increases are due mainly to expenses related to the acquisitions achieved in 2018 and to higher inflation compensation interest on real-return bonds.

The effective all-in interest rate on the Corporation's debt and convertible debentures was 4.63% as at September 30, 2018 (4.43% as at December 31, 2017).

Other Net Expenses (Revenues)

Expenses of \$2.5 million for the three-month period ended September 30, 2018

Expenses of \$6.1 million for the nine-month period ended September 30, 2018

Other Net Expenses (Revenues) include transaction costs, realized gain or loss on derivative financial instruments, gain or loss on contingent considerations, other net revenues, gain or loss on disposal of property, plant and equipment and amortization of below market contracts. Expenses recorded for the three- and nine-month periods are due mainly to a realized loss on foreign exchange, partly offset by higher other net revenues. Expenses for the nine-month period were also attributable to higher transaction costs stemming from the Alterra acquisition.

In connection with the Alterra transaction, the Corporation entered into bond forward contracts for a total of \$50.0 million to mitigate the risk of interest rate increases before the closing of the transaction. These bond forward contracts settled upon closing of the Alterra transaction in February 2018 and resulted in a gain of \$0.8 million.

Depreciation and Amortization

Up 24% to \$41.3 million for the three-month period ended September 30, 2018

Up 29% to \$122.3 million for the nine-month period ended September 30, 2018

These increases are attributable mainly to the acquisition of Alterra in 2018 and the acquisition of French wind farms in 2017. The increase for the nine-month period was also due to the commissioning of Upper Lillooet River and Boulder Creek facilities in 2017.

Share of Earnings of Joint Ventures and Associates

Share of net earnings of \$15.3 million for the three-month period ended September 30, 2018, compared with share of net earnings of \$0.4 million for the corresponding period in 2017

Share of net earnings of \$17.1 million for the nine-month period ended September 30, 2018, compared with share of net earnings of \$2.9 million for the corresponding period in 2017

The acquisition of Alterra included interests in the following entities: HS Orka hf ("HS Orka") (53.9% interest), which holds a 30% interest in Blue Lagoon hf., Dokie General Partnership ("Dokie") (25.5% interest), Flat Top Group Holdings LLC ("Flat Top") (51% sponsor equity), Jimmie Creek Limited Partnership ("Jimmie Creek") (50.99% interest), Muko Partnership Holdings, LLC ("Kokomo") (90% sponsor equity), Shannon Group Holdings, LLC ("Shannon") (50% sponsor equity), Spartan Holdings, LLC ("Spartan") (100% sponsor equity) and Toba Montrose General Partnership ("Toba Montrose") (40% interest) (collectively "Alterra Power Group Entities").

On July 3, 2018, Innergex completed an investment in Energia Llama SpA ("Energia Llama") for a 50% ownership.

To these joint ventures and associates, excluding HS Orka which is consolidated, are added the following entities already owned by Innergex: Umbata Falls, L.P. ("Umbata Falls") (49% interest) and Viger-Denonville, L.P. ("Viger-Denonville") (50% interest).

Please refer to the "Investments in Joint Ventures and associates" section for more information.

Unrealized Net Loss (Gain) on Financial Instruments

Unrealized net loss of \$3.0 million for the three-month period ended September 30, 2018, compared with an unrealized net loss of \$1.0 million for the corresponding period in 2017

Unrealized net loss of \$2.3 million for the nine-month period ended September 30, 2018, compared with an unrealized net gain of \$3.6 million for the corresponding period in 2017

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

The unrealized net loss on financial instruments for the three-month period ended September 30, 2018, is due mainly to an unrealized loss on the conversion of intragroup loans and a \$1.1 million loss on the HS Orka embedded derivative, partly offset by a favourable variation of the CAD-EUR foreign exchange rate swap, and to the amortization of the accumulated losses from the pre-hedge accounting period.

The unrealized net loss on financial instruments for the nine-month period ended September 30, 2018, is due mainly to a \$5.1 million loss from lower future aluminum prices that affected the value of the embedded derivatives related to two PPAs at HS Orka, and an unfavourable variation of the CAD-EUR foreign exchange rate swap, partly offset by an unrealized gain on the conversion of intragroup loans and the amortization of the accumulated losses from the pre-hedge accounting period.

For the three- and nine-month periods ended September 30, 2017, the Corporation recognized a \$1.0 million unrealized net loss on financial instruments and a \$3.6 million unrealized net gain on financial instruments respectively. The unrealized net loss for the quarter is attributable to an unrealized net loss on the foreign exchange rate swap due to an unfavourable change in the CAD-EUR foreign exchange rate and a loss on the conversion of an intragroup loan, partly offset by the amortization of the accumulated losses from the period prior to using hedge accounting. The unrealized net gain for the nine-month period is due to an unrealized gain on the conversion of an intragroup loan and the amortization of the accumulated losses from the pre-hedge accounting period, partly offset by an unrealized net loss on the foreign exchange rate swap due to an unfavourable change in the CAD-EUR foreign exchange rate.

Income Tax Expense (Recovery of)

Income tax expense at \$2.2 million for the three-month period ended September 30, 2018

Income tax expense at \$1.3 million for the nine-month period ended September 30, 2018

For the three-month period ended September 30, 2018, the Corporation recorded a current income tax expense of \$1.9 million (\$1.8 million for the corresponding period in 2017) and a deferred income tax expense of \$0.3 million (\$2.8 million for the corresponding period in 2017). The slight increase in the current income tax expense is due mainly to higher charges in Iceland compensated by lower charges in France. The decrease in the deferred income tax expense is due mainly to lower earnings before considering the share of earnings of joint ventures and associates.

For the nine-month period ended September 30, 2018, the Corporation recorded a current income tax expense of \$4.5 million (\$3.5 million for the corresponding period in 2017) and a deferred income tax recovery of \$3.1 million (deferred income tax expense of \$4.1 million for the corresponding period in 2017). The \$0.9 million increase in the current income tax expense is

due mainly to higher charges in Iceland, compensated in part by lower charges in France and in the United States. The \$7.2 million positive change in the deferred income tax is due mainly to lower earnings before considering the share of earnings of joint ventures and associates.

Net Earnings

Up to \$9.4 million for the three-month period ended September 30, 2018

Down to \$11.6 million for the nine-month period ended September 30, 2018

For the three-month period ended September 30, 2018, the Corporation recorded net earnings of \$9.4 million (basic and diluted net earnings of \$0.07 per share), compared with net earnings of \$4.3 million (basic and diluted net earnings of \$0.04 per share) for the corresponding period in 2017. The \$5.2 million increase in net earnings can be explained by the \$14.9 million positive change in the share of earnings of joint ventures and associates, the \$9.8 million increase in Adjusted EBITDA and the \$2.4 million positive change in income taxes, partly offset by the \$10.3 million increase in finance costs, \$7.9 million increase in depreciation and amortization, \$2.0 million change in unrealized net loss (gain) on financial instruments and \$1.8 million negative change in other net expenses (revenues).

For the nine-month period ended September 30, 2018, the Corporation recorded net earnings of \$11.6 million (basic and diluted net earnings of \$0.10 per share), compared with net earnings of \$15.7 million (basic and diluted net earnings of \$0.17 per share) for the corresponding period in 2017. The \$4.1 million decrease in net earnings can be explained by the \$36.7 million increase in finance costs, the \$27.3 million increase in depreciation and amortization, the \$6.2 million negative change in other net expenses (revenues) and the \$5.9 million negative change in unrealized net loss (gain) on financial instruments, partly offset by the \$51.4 million increase in Adjusted EBITDA, \$14.2 million positive change in the share of earnings of joint ventures and associates and \$6.3 million positive change in income taxes.

Adjusted Net Earnings

Up to \$19.5 million for the three-month period ended September 30, 2018

Up to \$13.8 million for the nine-month period ended September 30, 2018

When evaluating its operating results and to provide a more accurate picture of them, a key performance indicator for the Corporation is Adjusted Net Earnings. Adjusted Net Earnings is not a recognized measure under IFRS, has no standardized meaning prescribed by IFRS and therefore may not be comparable with those presented by other issuers. Please refer to the "Non-IFRS Measures" section for more information.

Impact on net earnings of financial instruments	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
		Restated ²		Restated ²
Net earnings	9,431	4,251	11,629	15,748
<i>Add (Subtract):</i>				
Unrealized net loss (gain) on financial instruments	2,967	1,009	2,293	(3,596)
Realized loss (gain) on financial instruments	4	—	(822)	—
(Recovery) income tax expenses related to above items	(556)	22	817	656
Share of unrealized net loss (gain) on financial instruments of joint ventures and associates, net of related income tax	7,670	(468)	(144)	(874)
Adjusted Net Earnings ¹	19,516	4,814	13,773	11,934

1. Adjusted Net Earnings is not a recognized measure under IFRS and therefore may not be comparable to those presented by other issuers. Please refer to the "Non-IFRS Measures" section of this MD&A for more information.

2. For more information on the restatement, please refer to the "Accounting Changes" section.

Excluding loss (gains) on financial instruments and the related income taxes, net earnings for the three- and nine-month periods ended September 30, 2018, would have been \$19.5 million and \$13.8 million, compared with net earnings of \$4.8 million and \$11.9 million in 2017. The increases in the adjusted net earnings are due mainly to a higher Adjusted EBITDA, the positive change in the share of earnings of joint ventures and associates and the positive change in income taxes, partly offset by the increase in finance costs, the increase in depreciation and amortization and the negative change in other net expenses (revenues).

Non-controlling Interests

Attribution of losses of \$1.3 million for the three-month period ended September 30, 2018, compared with an attribution of losses of \$1.5 million for the corresponding period in 2017

Attribution of losses of \$5.8 million for the nine-month period ended September 30, 2018, compared with an attribution of losses of \$6.7 million for the corresponding period in 2017

Non-controlling interests are related to the HS Orka hf ("HS Orka"), Harrison Hydro Limited Partnership ("HHLP"), the Creek Power Inc. subsidiaries ("Creek Power") (for a 136-day period in 2018, compared with a full nine-month period in 2017), the Mesgi'g Ugju's'n (MU) Wind Farm, L.P. ("MU"), the Innergex Europe (2015) Limited Partnership ("Innergex Europe"), the Kwoiek Creek Resources Limited Partnership ("Kwoiek"), the Magpie Limited Partnership, the Innergex Sainte-Marguerite S.E.C. entity and the Cayoose Creek Power Limited Partnership ("Cayoose Creek") and their respective general partners.

The decrease in losses attributed to non-controlling interests for the three-month period compared with the previous year results mainly from revenues at HS Orka.

The decrease in losses attributed to non-controlling interests for the nine-month period compared with the previous year stem mainly from revenues at HS Orka.

LIQUIDITY AND CAPITAL RESOURCES

For the nine-month period ended September 30, 2018, the Corporation generated cash flows from operating activities of \$163.2 million, compared with cash flows of \$109.8 million for the same period last year. During this nine-month period, the Corporation generated funds from financing activities of \$318.6 million and used \$462.4 million in funds for investing activities, mainly to pay for the acquisition of Alterra and the Phoebe solar project. As at September 30, 2018, the Corporation had cash and cash equivalents totalling \$81.1 million, compared with \$61.9 million as at December 31, 2017.

Cash Flows from Operating Activities

Up \$53.4 million to \$163.2 million for the nine-month period ended September 30, 2018

The increase is primarily attributable to a \$51.4 million increase in Adjusted EBITDA, a \$19.6 million increase in distributions from joint ventures and associates and a \$12.0 million increase in non-cash operating working capital items, partly offset by a \$20.0 million increase in the interest paid on long-term debt.

Cash Flows from Financing Activities

Up \$199.6 million to \$318.6 million for the nine-month period ended September 30, 2018

The increase is attributable to a \$255.3 million net increase in long-term debt in 2018, compared with a \$161.2 million increase in long-term debt in 2017, to the \$143.1 million increase in net proceeds from the issuance of convertible debentures, which was partly offset by a \$16.8 million decrease in investments from non-controlling interests, to a \$9.5 million payment for buyback of common shares, to a \$7.0 million increase in the payment of dividends on common shares and to a \$4.6 million increase in distributions to non-controlling interests.

The \$255.3 million increase in long-term debt is attributable mainly to a \$150 million subordinated unsecured five-year term loan contracted in February to finance the cash portion of the acquisition of Alterra. The increase is also due to drawings of \$184.9 million (US\$142.8 million) made to the tax-equity bridge loan and the construction loan for the acquisition and construction of the Phoebe solar project and to a \$129.0 million (US\$100 million) drawing on the revolving credit facilities to close the investment in Energia Llaima on July 3, 2018, and to acquire the Duqueco hydro project on July 5, 2018. The increase was partly offset by scheduled debt repayments and the reimbursement of loans dedicated to the consumer taxes recoverable from the government for the Theil-Rabier, Plan Fleury and Les Renardières wind facilities.

Use of Financing Proceeds	Nine months ended September 30		
	2018	2017	Change
Proceeds from issuance of long-term debt (including revolving credit facility)	768,196	516,072	
Repayment of long-term debt (including revolving credit facility)	(495,759)	(354,071)	
Payment of deferred financing costs	(17,096)	(845)	
Subtotal: net increase in long-term debt	255,341	161,156	94,185
Net proceeds from issuance of convertible debentures	143,090	—	
Payment for buy-back of common shares	(9,487)	—	
Investments from non-controlling interests	—	16,842	
Generation of financing proceeds	388,944	177,998	210,946
Business acquisitions	(251,506)	(153,673)	
Investment in joint ventures and associates	(131,540)	—	
Decrease of restricted cash and short-term investments	21,031	29,081	
Net funds (invested into) withdrawn from the reserve accounts	(2,117)	127	
Additions to property, plant and equipment	(99,450)	(93,727)	
Additions to project development costs	(1,507)	—	
Buyback of minority interests	(1,700)	—	
Additions to intangible assets	(3,449)	—	
Reductions of other long-term assets	362	22	
Net use of financing proceeds	(469,876)	(218,170)	(251,706)
Reduction in working capital	(80,932)	(40,172)	(40,760)

During the nine-month period ended September 30, 2018, the Corporation borrowed a net amount of \$255.3 million and issued convertible debentures for a net amount of \$143.1 million, partly offset by a \$9.5 million payment for the buyback of common shares. The net amount borrowed and the net proceeds from the issuance of convertible debentures were used for the acquisition of Alterra, the acquisition and construction of the Phoebe solar project, the investment in Energia Llaima and the Duquenco acquisition in Chile. The Corporation used \$21.0 million in restricted cash and short-term investments mainly to pay for the remaining construction costs of the Upper Lilloet River, Boulder Creek and Mesgi'g Ugiu's'n facilities.

Cash Flows from Investing Activities

Outflow up \$249.6 million to \$462.4 million for the nine-month period ended September 30, 2018

During the period, the main investing activities impacting cash flows were as follows: business acquisitions accounted for a \$251.5 million outflow (\$153.7 million outflow in 2017) for the Alterra and the Phoebe acquisition; investments in joint ventures and associates accounted for \$131.5 million outflow (nil in 2017); additions to property, plant and equipment accounted for a \$99.5 million outflow (\$93.7 million outflow in 2017); and fluctuations in restricted cash and short-term investments accounted for a \$21.0 million inflow (\$29.1 million inflow in 2017).

Cash and Cash Equivalents

Up \$19.2 million to \$81.1 million for the nine-month period ended September 30, 2018

For the nine-month period ended September 30, 2018, cash and cash equivalents increased by \$19.2 million (increased by \$14.9 million for the corresponding period in 2017) as a net result of its operating, financing and investing activities.

SHARE CAPITAL STRUCTURE

Information on Capital Stock

Number of Common Shares Outstanding

Weighted average number of common shares outstanding (000s)	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Weighted average number of common shares	132,759	108,567	129,329	108,447
Effect of dilutive elements on common shares ¹	715	854	720	821
Diluted weighted average number of common shares	133,474	109,421	130,049	109,268

1. During the three- and nine-month periods ended September 30, 2018, 2,579,684 of the 2,782,599 stock options (2,656,851 of the 2,782,599 for the three-month period and 2,579,684 of the 2,782,599 for the nine-month period ended September 30, 2017) were dilutive. During the three- and nine-month periods ended September 30, 2018, none of the 14,166,667 shares that can be issued on conversion of convertible debentures were dilutive (none of the 6,666,667 shares were dilutive for the same periods in 2017).

The Corporation's Equity Securities

	As at		
	November 13, 2018	September 30, 2018	September 30, 2017
Number of common shares	132,986,850	132,799,509	108,640,790
Number of 4.75% convertible debentures	150,000	150,000	—
Number of 4.25% convertible debentures	100,000	100,000	100,000
Number of Series A Preferred Shares	3,400,000	3,400,000	3,400,000
Number of Series C Preferred Shares	2,000,000	2,000,000	2,000,000
Number of stock options outstanding	2,782,599	2,782,599	2,782,599

As at the opening of the market on November 13, 2018, and since September 30, 2018, the increase in the number of common shares of the Corporation is attributable to the issuance of 187,341 shares related to the Corporation's Dividend Reinvestment Plan ("DRIP").

As at September 30, 2018, the increase in the number of common shares since September 30, 2017, was attributable mainly to the issuance of 24,327,225 shares on February 6, 2018, in connection with the Alterra acquisition, and of 584,788 shares related to the DRIP, net of 753,294 shares purchased for cancellation under the normal course issuer bid ("the Bid").

Dividends

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 test imposed under corporate law for the declaration of dividends and other relevant factors.

The following dividends were declared by the Corporation:

	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Dividends declared on common shares ¹	22,576	17,926	67,607	53,701
Dividends declared on common shares (\$/share)	0.170	0.165	0.510	0.495
Dividends declared on Series A Preferred Shares	767	767	2,300	2,300
Dividends declared on Series A Preferred Shares (\$/share)	0.2255	0.2255	0.6765	0.6765
Dividends declared on Series C Preferred Shares	719	719	2,157	2,157
Dividends declared on Series C Preferred Shares (\$/share)	0.359375	0.359375	1.078125	1.078125

1. The increase in dividends declared on common shares is mainly attributable to the issuance of 24,327,225 shares on February 6, 2018, related to the Alterra acquisition, the increase in the quarterly dividend and the issuance of shares under the DRIP, partly offset by shares repurchased under the Bid.

The following dividends will be paid by the Corporation on January 15, 2019:

Date of announcement	Record date	Payment date	Dividend per common share (\$)	Dividend per Series A Preferred Share (\$)	Dividend per Series C Preferred Share (\$)
11/13/2018	12/31/2018	1/15/2019	0.170	0.2255	0.359375

On February 21, 2018, the Board of Directors increased the quarterly dividend from \$0.165 to \$0.170 per common share, corresponding to an annual dividend of \$0.68 per common share. This is the fifth consecutive \$0.02 annual dividend increase.

Normal Course Issuer Bid

In August 2017, the Corporation proceeded with a normal course issuer bid on its Common Shares (the "Bid") covering the period between August 17, 2017, and August 16, 2018. The Corporation could purchase for cancellation up to 2,000,000 of its Common Shares, corresponding to approximately 1.84% of the 108,640,790 issued and outstanding Common Shares as at August 14, 2017.

Under the Bid, the Corporation has entered into an automatic purchase plan agreement with a designated broker to allow for purchases of Common Shares at times when it would ordinarily not be permitted to do so due to self-imposed blackout periods or regulatory restrictions.

Under the Bid, the Corporation did not purchase any Common Shares for cancellation during the three-month period ended September 30, 2018, and purchased 697,212 Common Shares at an average price of \$13.60 per share, for an aggregate consideration of \$9.5 million during the nine-month period ended September 30, 2018.

FINANCIAL POSITION

As at September 30, 2018, the Corporation had \$5,640 million in total assets, \$4,666 million in total liabilities, including \$3,728 million in long-term debt, and \$975 million in shareholders' equity. The Corporation also had a working capital ratio of 0.80:1.00 (0.90:1.00 as at December 31, 2017). In addition to cash and cash equivalents amounting to \$81.1 million, the Corporation had restricted cash and short-term investments of \$40.9 million and reserve accounts of \$52.0 million. The explanations below highlight the most significant changes in the statement of financial position items during the nine-month period ended September 30, 2018.

Assets

Highlights of significant changes in total assets since the beginning of the year

- A \$562.5 million increase in property, plant and equipment, due mainly to the acquisition of Alterra and the Phoebe solar project in 2018, partly offset by the depreciation for the period.
- A \$574.9 million increase in investments in joint ventures and associates, due mainly to the acquisition of Alterra in February 2018, which included eight joint ventures and associates' projects, and to the investment in Energia Llaima in Chile in July 2018.
- A \$178.0 million increase in intangible assets, due mainly to the acquisition of Alterra in 2018, partly offset by the amortization.
- A \$59.7 million increase in goodwill, due to the acquisition of Alterra.

Working Capital Items

Working capital was negative at \$58.2 million, as at September 30, 2018, with a working capital ratio of 0.80:1.00 (as at December 31, 2017, working capital was negative at \$25.2 million, with a working capital ratio of 0.90:1.00). The variation in the working capital ratio is due to lower restricted cash, short-term investments and higher accounts payable and higher current portion of long-term debt, offset by higher cash and cash equivalents and by a lower liability portion of derivatives on financial instruments.

The Corporation considers its current level of working capital to be sufficient to meet its needs. As at September 30, 2018, the Corporation had \$700.0 million in revolving term credit facilities and had drawn \$240.6 million and US\$113.9 million as cash advances, while \$156.9 million had been used for issuing letters of credit, leaving \$155.1 million available.

Cash and cash equivalents amounted to \$81.1 million as at September 30, 2018, compared with \$61.9 million as at December 31, 2017. The increase stems mainly from the cash acquired with and generated by the acquisition of Alterra and from the greater number of facilities in operation.

Restricted cash and short-term investments amounted to \$40.9 million as at September 30, 2018, compared with \$58.7 million as at December 31, 2017. The decrease stems mainly from the amounts used to pay for remaining construction costs of the Upper Lillooet River, Boulder Creek and Mesgi'g Ugnu's'n facilities, partly offset by the restricted cash accumulated to pay for the remaining construction costs for Rougemont 1-2, Vaite, Plan Fleury and Les Renardières and from restricted cash related to a grant that HS Orka is participating in and administering, which was received and is to be distributed to the grant partners.

Accounts receivable decreased from \$87.5 million to \$85.4 million between December 31, 2017, and September 30, 2018, due mainly to the reimbursement of commodity taxes for the Plan Fleury, Les Renardières and Theil-Rabier facilities and to compensation received from a manufacturer for low-availability of equipment at a wind farm, partly offset by higher revenues at the Upper Lillooet River facility.

Accounts payable and other payables increased from \$91.0 million to \$119.8 million from December 31, 2017, to September 30, 2018, due mainly to accounts payable acquired with Alterra, partly offset by payment of construction costs related to the Mesgi'g Ugnu's'n, Upper Lillooet River, Boulder Creek, Rougemont 1-2 and Vaite facilities.

Liability portion of derivative financial instruments decreased from \$22.7 million to \$14.8 million from December 31, 2017, to September 30, 2018, due mainly to a favourable variation in the current portion of the CAD-EUR foreign exchange swaps and to a positive variation on interest rate swaps attributable to amortization, partly offset by the acquisition of Alterra.

Current portion of long-term debt amounted to \$121.6 million as at September 30, 2018, compared with \$109.9 million as at December 31, 2017. The increase stems mainly from the amount drawn on the tax-equity bridge loan for the Phoebe project,

partly offset by the reimbursement of loans dedicated to the consumer taxes recoverable from the government for the Theil-Rabier, Plan Fleury and Les Renardières wind facilities.

Reserve Accounts

Reserve accounts consist mainly of hydrology/wind reserves, which were established at the start of commercial operation at the facilities to compensate for the variability of cash flows related to fluctuations in hydrology or wind regimes and to other unpredictable events, and major maintenance reserves, which were established in order to prefund any major plant repairs that may be required to maintain the Corporation's generating capacity. The Corporation had \$52.0 million in long-term reserve accounts as at September 30, 2018, compared with \$50.0 million as at December 31, 2017. The increase is mainly due to mandatory investments made during the period.

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

Property, Plant and Equipment

Property, plant and equipment are comprised mainly of hydroelectric facilities, wind farms, geothermal power plants and solar farms that are either in operation or under construction. As at September 30, 2018, the Corporation had \$3,751 million in property, plant and equipment, compared with \$3,188 million as at December 31, 2017. The increase stems mainly from the acquisition of Alterra and to the acquisition of the Phoebe solar project in 2018, partly offset by the depreciation for the period.

Intangible Assets

Intangible assets consist of various power purchase agreements, permits and licenses. The Corporation had \$832.1 million in intangible assets as at September 30, 2018, compared with \$654.1 million as at December 31, 2017. The increase is due mainly to the acquisition of Alterra in 2018, partly offset by the amortization.

Project Development Costs

Project Development Costs refers to the costs incurred to acquire prospective projects and develop hydroelectric, wind, geothermal and solar facilities. The Corporation had \$24.3 million in project development costs as at September 30, 2018, compared with nil as at December 31, 2017. The increase is due to the acquisition of Alterra in 2018.

Investments in Joint Ventures and Associates

Investments in Joint Ventures and Associates is initially recognized at cost and subsequently adjusted to recognize the Corporation's share of the profit and loss and other comprehensive income of the joint ventures and associates. The Corporation had \$585.9 million in investments in joint ventures and associates as at September 30, 2018, compared with \$11.0 million as at December 31, 2017. The increase is due mainly to the acquisition of Alterra in February 2018, which included eight joint ventures and associates' projects, and to the investment in Energia Llaima in Chile in July 2018.

Goodwill

Goodwill is the excess of the purchase price over the aggregate fair value of net assets acquired. The Corporation had \$98.3 million in goodwill as at September 30, 2018, compared with \$38.6 million as at December 31, 2017. The increase is due to the acquisition of Alterra.

Liabilities and Shareholders' Equity

Derivative Financial Instruments and Risk Management

The Corporation uses derivative financial instruments ("Derivatives") to manage its exposure to the risk of increasing interest rates on its debt financing and its exposure to exchange rate fluctuations on the future repatriation of cash flows from its French operations. The Corporation does not own or issue any Derivatives for speculation purposes. Derivatives also include embedded derivatives such as the ones included in two PPAs at HS Orka related to aluminum prices.

Interest rate swap contracts allow the Corporation to eliminate the risk of interest rate increases on actual floating-rate debts. These totalled \$1,237 million as at September 30, 2018.

Foreign exchange forward contracts allow the Corporation to hedge its exposure to foreign exchange rate on its investments in France. These totalled \$561.0 million as at September 30, 2018.

Overall, Derivatives had a net negative value of \$80.7 million as at September 30, 2018 (net negative value of \$62.3 million as at December 31, 2017). The change in Derivatives is primarily due to the Derivatives acquired through the Alterra acquisition. Further increases in the Derivative liability are a result of an unfavourable variation in the CAD-EUR foreign exchange swaps. The unfavourable variations are partially offset by a positive variation on the interest rate swaps.

Long-Term Debt

As at September 30, 2018, long-term debt totalled \$3,728 million (\$3,157 million as at December 31, 2017). The \$570.8 million increase results mainly from the \$150 million subordinated unsecured five-year term loan obtained in February to finance the cash portion of the Alterra acquisition, from \$132 million (US\$100 million) drawn on the revolving credit facilities used for the investment in Energia Llaima and the Duquenco acquisition in Chile, from the addition of long-term debt from Alterra and from the construction loan for the Phoebe project, partly offset by scheduled repayments of project-level debts.

On February 6, 2018, Innergex increased its revolving credit facilities by \$225 million to \$700 million and added a new lender to the syndicate of lenders. This increase enables the Corporation to pursue the development and construction of its portfolio. The maturity of the revolving credit facilities remains December 2022.

As at September 30, 2018, 92% of the Corporation's outstanding debt, including convertible debentures, was fixed or hedged against interest rate movements (94% as at December 31, 2017).

Since the beginning of the 2018 fiscal year, the Corporation and its subsidiaries have met most material 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, trust indentures, PPAs 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. Financial ratios were not met for the Kwoiek Creek and Yonne credit agreements due to low production but were without negative consequences, as the Corporation proactively addressed the situation with the lenders.

Other Liabilities

Other liabilities, including amounts shown in current liabilities, consist of contingent considerations, asset retirement obligations, pension fund obligation, below market contracts, various liabilities related to future ownership rights owned by First Nations and interest payable on the Innergex Sainte-Marguerite, S.E.C. debenture. As at September 30, 2018, other liabilities totalled \$129.6 million (\$80.0 million in 2017). The increase is mostly attributable to the addition of Alterra which includes a \$26.9 million pension fund obligation related to HS Orka and \$17.3 million related to below market contracts. The increase is also attributable to the \$3.4 million related to the interest payable on the Innergex Sainte-Marguerite, S.E.C. debenture.

Following the acquisition of HS Orka, existing long-term power sales contracts in place at HS Orka at the time of acquisition were recognized at fair value by comparing the contracted prices with the prevailing market prices. The contracted prices were lower than the prevailing market prices. As a result, these pre-existing contracts were considered to be below market and a liability was recognized at fair value as part of the purchase price allocation for HS Orka. The Corporation amortizes the fair value of below market sales contracts over the remaining contract term and records the amount in other net expenses (revenues).

Convertible debentures

During the second quarter of 2018, the Corporation completed a bought deal offering of 4.75% convertible unsecured subordinated debentures of Innergex. The Corporation issued an aggregate principal amount of \$150 million of debentures at a price of \$1,000 per debenture, bearing interest at a rate of 4.75% per annum, payable semi-annually on June 30 and December 31 each year, commencing on December 31, 2018. The debentures will be convertible at the holder's option into Innergex common shares at a conversion price of \$20.00 per share, corresponding to a conversion rate of 50 common shares per \$1,000 principal amount of debentures. The debentures will mature on June 30, 2025. They will not be redeemable before June 30, 2021. On and after June 30, 2021, and before June 30, 2023, Innergex may redeem the debentures at par plus accrued and unpaid interest, in certain circumstances. On or after June 30, 2023, Innergex may redeem the Debentures at par plus accrued and unpaid interest. The net proceeds of the convertible debenture offering were used to reduce drawings under the Corporation's revolving term credit facility, which then was available to be drawn, as required, to fund future acquisitions, development projects and for general corporate purposes.

As at June 30, 2018, the liability portion of convertible debentures stood at \$237.9 million and the equity portion stood at \$4.0 million (\$96.2 million and \$1.9 million as at December 31, 2017).

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

Shareholders' Equity

As at September 30, 2018, the Corporation's shareholders' equity totalled \$974.5 million, including \$315.0 million of non-controlling interests, compared with \$453.3 million as at December 31, 2017, which included \$14.9 million of non-controlling interests. This \$521.3 million increase in total shareholders' equity is attributable mainly to \$330.6 million of shares issued for the Alterra acquisition, to the \$300.1 million increase in non-controlling interest, of which \$296.5 million was related to the Alterra acquisition and the recognition of \$11.6 million in net earnings, partly offset by \$72.1 million in dividends declared on common and preferred shares, the recognition of other items of comprehensive loss totaling \$35.0 million, a \$9.5 million payment for the buyback of Common Shares.

A special resolution to approve the reduction of the legal stated capital account maintained in respect of the common shares of the Corporation, without any payment or distribution to the shareholders was adopted on May 15, 2018. This resulted in a decrease of the shareholders' capital account and an equivalent increase of the contributed surplus from reduction of capital on common shares account.

Contingencies

In February 2016, HS Orka issued a legal letter to HS Veitur hf demanding full payment of a long-term receivable related to the shared pension liability. A \$9.5 million claim was filed and is included under accounts receivable on the balance sheet. This was following receipt of a termination notice by HS Veitur of an agreement regarding payments of the pension liability, sent on December 31, 2015. The two companies had reached an agreement on HS Veitur's share in 2011 and, based on this agreement, HS Orka considers its claim to be fully valid. Negotiations have not settled the matter. The court proceedings took place in March 2018. On April 17, 2018, the First Court of Iceland ruled in favor of HS Orka. HS Veitur filed an appeal to the Court of Appeal, which is a court of second instance. A date for trial of the case has yet to be scheduled by the court.

Off-Balance-Sheet Arrangements

As at September 30, 2018, the Corporation had issued letters of credit totaling \$267.8 million to meet its obligations under its various PPAs and other agreements. Of this amount, \$171.9 million was issued under its revolving term credit facilities (US\$15 million guaranteed by Export Development Canada). These letters were issued as payment securities for the Phoebe solar project. They may also have been issued on a temporary basis during the construction of the Upper Lillooet River and Boulder Creek facilities, which ended recently, or for projects in operation. Finally, the letters may have been issued under projects' non-recourse credit facilities. As at that date, Innergex had also issued a total of \$68.5 million in corporate guarantees used mainly to guarantee the long-term currency hedging instruments of its operations in France. The corporate guarantees were also used to support the performance of the Brown Lake and Miller Creek hydroelectric facilities, the post-commissioning activities at the Mesgi'g Ujju's'n facility, the Foard City development project and the Boswell Spring prospective project.

Tax equity investors in U.S. projects generally require sponsor guaranties as a condition to their investment. To support the tax equity investments at Shannon, Kokomo, Spartan, Flat Top and Phoebe, Alterra, a subsidiary of Innergex, has executed guarantees effective on funding of the tax equity investments indemnifying the tax equity investors against certain breaches of project level representations, warranties and covenants and other events. The Corporation believes these indemnifications cover matters that are substantially under its control and are very unlikely to occur. With respect to the Phoebe project, Alterra has also provided a guarantee to the lenders related to debt service payments, which will become effective only in the unlikely event that the Phoebe tax equity investors call upon their corresponding guarantee.

FREE CASH FLOW AND PAYOUT RATIO

Free Cash Flow and Payout Ratio calculation ¹	Trailing twelve months ended September 30	
	2018	2017
Cash flows from operating activities	245,849	80,801
<i>Add (Subtract) the following items:</i>		
Changes in non-cash operating working capital items	(35,736)	71,215
Maintenance capital expenditures net of proceeds from disposals	(8,847)	(2,414)
Scheduled debt principal payments	(85,152)	(48,219)
Free Cash Flow attributed to non-controlling interests ²	(22,722)	(9,888)
Dividends declared on Preferred shares	(5,942)	(5,942)
<i>Adjust for the following elements:</i>		
Transaction costs related to realized acquisitions	10,866	3,336
Realized gain on derivative financial instruments	(828)	—
Free Cash Flow	97,488	88,889
Dividends declared on common shares	85,527	71,010
Payout Ratio	88%	80%
Dividends declared on common shares and paid in cash ³	75,598	65,875
Payout Ratio - after the impact of the DRIP	78%	74%

1. Free Cash Flow and Payout ratio are not recognized measures under IFRS and therefore may not be comparable to those presented by other issuers. Please refer to the "Non-IFRS Measures" section of the MD&A for more information.
2. The portion of Free Cash Flow attributed to non-controlling interests is subtracted, regardless of whether 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.
3. These are 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.

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. 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.

For the trailing twelve-month period ended September 30, 2018, the Corporation generated Free Cash Flow of \$97.5 million, compared with \$88.9 million for the corresponding period last year. The increase in Free Cash Flow is due mainly to higher cash flows from operating activities before changes in non-cash working capital items and transaction costs related to realized acquisitions, partly offset by greater scheduled debt principal payments, higher Free Cash Flow attributed to non-controlling interests and higher maintenance capital expenditures net of proceeds from disposals.

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 twelve-month period ended September 30, 2018, the dividends on common shares declared by the Corporation amounted to 88% of Free Cash Flow, compared with 80% for the corresponding period last year. This change results mainly from higher scheduled debt repayment, higher dividend payments as a result of the issuance of 24,327,225 shares on

February 6, 2018, related to the Alterra acquisition, the increase in the quarterly dividend and to additional shares following the exercise of stock options and issued under the DRIP, partly offset by the acquisition of Alterra and the recent commissioning of the Mesgi'g Ujju's'n, Upper Lillooet River and Boulder Creek facilities which generated higher Free Cash Flow.

The Payout Ratio reflects the Corporation's decision to invest yearly 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 twelve-month period ended September 30, 2018, the Corporation incurred prospective project expenses of \$17.1 million, compared with \$11.0 million for the corresponding period last year. This 56% increase for the period is attributable mainly to activities undertaken to submit projects in request-for-proposals processes, to pursuing opportunities in new international markets, including the United States, France, Iceland and Chile, to future requests for proposals and expressions of interest in Canadian provinces and to the advancement of a number of prospective projects. Excluding these discretionary expenses, the Corporation's Payout Ratio would have been approximately 13% points lower for the trailing twelve-month period ended September 30, 2018, and approximately 9% points lower for the prior period.

Furthermore, given the anticipated cash flows from operations, the project-level financing secured for the project and the additional equity provided by the DRIP, the Corporation does not expect to require additional equity in order to complete its Brúarvirkjun and Phoebe projects currently under construction. For its acquisition of the remaining interest in the five Cartier wind farms and operating entities, the Corporation intends to divest selected assets or portions of existing assets to repay the \$228 million one-year term credit facility contracted to pay for a portion of the transaction. Innergex also intends to repay its one-year term non-recourse credit facility of \$400 million from the proceeds of a non-recourse long-term financing at projects level based on the useful life of the assets.

SEGMENT INFORMATION

Geographic Segments

As at September 30, 2018, and excluding its investments in joint ventures and associates, which are accounted for using the equity method, the Corporation had interests in the following operating assets: 29 hydroelectric facilities, six wind farms and one solar farm in Canada, 15 wind farms in France, one hydroelectric facility in the United States and two geothermal facilities in Iceland. The Corporation operates in four principal geographical areas, which are detailed below.

	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Revenues				
Canada	101,003	94,788	275,978	259,142
France	12,915	11,771	60,994	30,097
Iceland	25,297	—	67,292	—
United States	1,553	1,675	3,926	3,051
	140,768	108,234	408,190	292,290

	As at	
	September 30, 2018	December 31, 2017
Non-current assets, excluding derivatives financial instruments and deferred tax assets ¹		
Canada	3,096,395	2,977,859
France	934,039	973,740
Iceland ²	825,025	—
United States ³	368,223	7,052
Chile	141,376	—
	5,365,058	3,958,651

1. Includes the investments in joint ventures and associates.

2. Includes the Bruarvirkjun hydro project under construction.

3. Includes the Phoebe solar project under construction and the Foard City wind project in development.

Canada

Revenues up 7% to \$101.0 million for the three-month period ended September 30, 2018

Revenues up 6% to \$276.0 million for the nine-month period ended September 30, 2018

The increases in Canadian revenues for the three- and nine-month periods are attributable mainly to higher production at the Upper Lillooet River, Mesgi'g Ugju's'n and wind farms in Quebec. The increase for the nine-month period is also due to compensation received from a manufacturer for low-availability of equipment at a wind farm.

For the period ended September 30, 2018, the increase in non-current assets, excluding derivative financial instruments and deferred income tax assets in Canada, stems mainly from the acquisition of Alterra, partly offset by depreciation of property, plant and equipment and amortization of intangible assets.

France

Revenues up 10% to \$12.9 million for the three-month period ended September 30, 2018

Revenues up 103% to \$61.0 million for the nine-month period ended September 30, 2018

The increases in revenues in France for the three- and nine-month periods are attributable mainly to the recent commissioning of wind facilities acquired in France in 2017. The increase for the nine-month period is also due to the higher production at wind facilities.

For the period ended September 30, 2018, the change in non-current assets, excluding derivative financial instruments and deferred income tax assets in France, stems from the foreign exchange rate effect and from the depreciation of property, plant and equipment and amortization of intangible assets.

Iceland

Revenues at \$25.3 million for the three-month period ended September 30, 2018

Revenues at \$67.3 million for the nine-month period ended September 30, 2018

The increases in revenues and in non-current assets, excluding financial instruments and deferred income tax assets, stem from the two geothermal facilities acquired in February 2018 as part of the Alterra acquisition.

United States

Revenues down 7% to \$1.6 million for the three-month period ended September 30, 2018

Revenues up 29% to \$3.9 million for the nine-month period ended September 30, 2018

The decrease in revenues for the three-month period can be explained mainly by lower production at the Horseshoe Bend facility. The increase in revenues for the nine-month period is mainly attributable to higher production overall at the Horseshoe Bend facility.

For the period ended September 30, 2018, the increase in non-current assets is attributable mainly to the addition of the Phoebe solar project and the acquisition of Alterra, which owns interest in several US-based joint ventures and associates that are not consolidated.

Chile

The investment of the Corporation in Energia Llaima in Chile is accounted for using the equity method; its revenues are therefore not consolidated. Please refer to the "Investments in Joint Ventures and Associates" for more information.

For the period ended September 30, 2018, the increase in non-current assets is attributable to the investment in Energia Llaima and its acquisition of the Duquenco hydro project on July 3, 2018, and July 5, 2018, respectively.

Operating Segments

As at September 30, 2018, the Corporation had five operating segments: hydroelectric generation, wind power generation, geothermal power generation, solar power generation and site development.

Through its hydroelectric, wind power, geothermal power and solar power generation segments, the Corporation sells electricity produced by its hydroelectric, wind, geothermal and solar facilities mainly to publicly owned utilities or other creditworthy counterparties. Through its site development segment, Innergex analyzes potential sites and develops hydroelectric, wind, geothermal 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, 2017. 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, geothermal and 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					
	Hydroelectric	Wind	Geothermal	Solar	Site Development	Total
Three months ended September 30, 2018						
Power generated (MWh)	879,837	335,005	328,080	13,969	—	1,556,891
Revenues	74,699	34,905	25,297	5,867	—	140,768
Expenses:						
Operating	13,225	8,762	14,409	238	—	36,634
General and administrative	2,960	2,541	2,644	35	—	8,180
Prospective projects	—	—	—	—	4,320	4,320
Adjusted EBITDA¹	58,514	23,602	8,244	5,594	(4,320)	91,634
Three months ended September 30, 2017						
Power generated (MWh)	931,281	289,720	—	14,342	7,756	1,243,099
Revenues	72,055	29,177	—	6,023	979	108,234
Expenses:						
Operating	11,029	6,495	—	176	392	18,092
General and administrative	2,613	1,961	—	33	82	4,689
Prospective projects	—	—	—	—	3,650	3,650
Adjusted EBITDA¹	58,413	20,721	—	5,814	(3,145)	81,803

1. Adjusted EBITDA is not a recognized measure under IFRS and therefore may not be comparable to those presented by other issuers. Please refer to the "Non-IFRS Measures" section of this MD&A for more information.

	SUMMARY OPERATING RESULTS					
	Hydroelectric	Wind	Geothermal	Solar	Site Development	Total
September 30, 2018						
Nine months ended						
September 30, 2018						
Power generated (MWh)	2,295,079	1,341,769	845,297	34,414		4,516,559
Revenues	185,375	141,069	67,292	14,454	—	408,190
Expenses:						
Operating	37,183	23,694	38,633	546	—	100,056
General and administrative	8,916	7,839	7,872	110	—	24,737
Prospective projects	—	—	—	—	13,293	13,293
Adjusted EBITDA ¹	139,276	109,536	20,787	13,798	(13,293)	270,104
September 30, 2017						
Nine months ended						
September 30, 2017						
Power generated (MWh)	2,266,522	975,821	—	34,501	11,307	3,288,151
Revenues	180,589	95,846	—	14,490	1,365	292,290
Expenses:						
Operating	32,510	17,788	—	520	578	51,396
General and administrative	8,123	5,321	—	121	459	14,024
Prospective projects	—	—	—	—	8,206	8,206
Adjusted EBITDA ¹	139,956	72,737	—	13,849	(7,878)	218,664

1. Adjusted EBITDA is not a recognized measure under IFRS and therefore may not be comparable to those presented by other issuers. Please refer to the "Non-IFRS Measures" section of this MD&A for more information.

	FINANCIAL POSITION					
	Hydroelectric	Wind	Geothermal	Solar	Site Development	Total
September 30, 2018						
As at September 30, 2018						
Goodwill	15,180	40,028	42,762	303	5	98,278
Total assets	2,702,666	1,732,702	821,280	130,703	252,996	5,640,347
Total liabilities	2,321,031	1,541,377	396,908	131,112	275,376	4,665,804
Acquisition of property, plant and equipment during the period	3,030	321	10,276	132	72,033	85,792
December 31, 2017 (Restated¹)						
As at December 31, 2017 (Restated ¹)						
Goodwill	8,269	30,311	—	—	—	38,580
Total assets	2,425,646	1,651,537	—	101,449	11,824	4,190,456
Total liabilities	2,093,158	1,515,468	—	102,765	25,803	3,737,194
Acquisition of property, plant and equipment during the year	18,804	352,968	—	12	185,884	557,668

1. For more information on the restatement, please refer to the "Accounting Changes" section.

Hydroelectric Generation Segment

Revenues up 4% to \$74.7 million for the three-month period ended September 30, 2018

Revenues up 3% to \$185.4 million for the nine-month period ended September 30, 2018

For the three-month period ended September 30, 2018, this segment produced 88% of the LTA, compared with production at 93% of the LTA last year. The decrease in the percentage of the LTA is attributable mainly to below-average water flows across all regions.

The slight increase in revenues compared with last year is due mainly to higher production at the Upper Lillooet River and to a better selling price at Miller Creek, which is based on a formula using the Platts Mid-C pricing indexes, partly offset by lower production at the Quebec facilities. Expenses for the period were higher due mainly to challenging post-commissioning activities at the Upper Lillooet River hydro facility, which have now been mostly addressed.

For the nine-month period ended September 30, 2018, this segment produced 94% of the LTA, compared with production at 94% of the LTA last year. Production was lower than the LTA due mainly to below-average water flows in British Columbia, Quebec and Ontario and to challenging post-commissioning activities that the Upper Lillooet River hydro facility, which have now been mostly addressed.

The slight increase in revenues compared with last year is due mainly to the contribution of the Upper Lillooet River and Boulder Creek hydroelectric facilities commissioned in March and May 2017 and to a better selling price at Miller Creek, which is based on a formula using the Platts Mid-C pricing indexes, partly offset by lower revenues from the facilities in Quebec. Expenses for the period were higher due mainly to the commissioning of the Upper Lillooet River and Boulder Creek facilities. In 2017, a \$3.3 million aggregate payment was recorded related to water rights for 2011 and 2012 for Fire Creek, Lamont Creek, Stokke Creek, Tipella Creek and Upper Stave River, which were reassessed following the decision by the British Columbia Ministry of Forests, Lands and Natural Resource Operations to apply higher rental rates based on the facilities' combined production rather than applying lower rates for each facility based on its individual production, as had previously been the ministry's practice. Since 2013, the facilities' water rights fees have been paid at the higher rates. A 49.99% portion of the water rights payment is allocated to the non-controlling interests.

The increase in total assets since December 31, 2017, stems mainly from the acquisition of Alterra in February 2018 which owns interest in several joint ventures and associates and from the investment in Energia Llama which owns interest in three hydro facilities. The increase was partly offset by depreciation of property, plant and equipment and amortization of intangible assets.

The increase in total liabilities since December 31, 2017, is attributable mainly to the acquisition of Alterra in February 2018 and the acquisition of 50% of Energia Llama in July 2018, partly offset by scheduled repayment of long-term debt.

Wind Power Generation Segment

Revenues up 20% to \$34.9 million for the three-month period ended September 30, 2018

Revenues up 47% to \$141.1 million for the nine-month period ended September 30, 2018

For the three-month period ended September 30, 2018, this segment produced 91% of the LTA compared with production at 88% of the LTA last year. The increase in the percentage of LTA is due mainly to slightly above-average wind regimes in Quebec, partly offset by below-average wind regimes in France.

Revenues increased due mainly to higher production at the Mesgi'g Ugju's'n facility and to the contribution of the wind facilities acquired in France in the third quarter of 2017.

For the nine-month period ended September 30, 2018, this segment produced 95% of the LTA compared with production at 84% of the LTA last year. The increase in the percentage of LTA is due to better wind regimes in Quebec and in France compared with last year and to revenue compensation received from a manufacturer for low availability of equipment at a wind farm, partly offset by outages caused by maintenance activities in France and continuing performance improvement work at Mesgi'g Ugju's'n.

Revenues increased due mainly to the contribution of the wind facilities acquired in France in 2017, to compensation from a manufacturer for low-availability of equipment at a wind farm and to higher production at the Mesgi'g Ugju's'n wind facility and all wind facilities in France and in Quebec.

The increase in total assets since December 31, 2017, is mainly attributable to the acquisition of Alterra, which owned an interest in several joint ventures and associates, partly offset by depreciation of property, plant and equipment and amortization of intangible assets.

The increase in total liabilities since December 31, 2017, is attributable mainly to the acquisition of Alterra, which owned an interest in several joint ventures and associates, partly offset by the scheduled repayment of long-term debt.

Geothermal Power Generation Segment

Revenues at \$25.3 million for the three-month period ended September 30, 2018

Revenues at \$67.3 million for the nine-month period ended September 30, 2018

For the three- and nine-month periods ended September 30, 2018, this segment produced 103% and 101% of the LTA.

The increase in revenues stem from the two geothermal facilities acquired in February 2018 as part of the Alterra acquisition.

The increase in total assets since December 31, 2017, results from the addition of the two geothermal facilities acquired in February 2018, partly offset by depreciation of property, plant and equipment and from amortization of intangible assets.

The increase in total liabilities since December 31, 2017, results from the addition of the two geothermal facilities acquired in February 2018, partly offset by the scheduled repayment of long-term debt.

Solar Power Generation Segment

Revenues down 3% to \$5.9 million for the three-month period ended September 30, 2018

Comparable revenues at \$14.5 million for the nine-month period ended September 30, 2018

For the three-month period ended September 30, 2018, this segment, which includes one solar farm in Ontario, produced 113% of the LTA compared with production at 115% of the LTA last year. The production was higher than the LTA due to above-average solar irradiation.

The decrease in revenues can be explained by lower production compared with last year.

For the nine-month period ended September 30, 2018, this segment produced 109% of the LTA compared with production at 108% of the LTA last year. The comparable revenues can be explained by similar production level to last year.

The increase in total assets since December 31, 2017, results mainly from the acquisition of Alterra, which owned an interest in Spartan and Kokomo joint ventures and associates, and from the investment in Energia Llaima, which owns an interest in Pampa Elvira, partly offset by depreciation of property, plant and equipment and the amortization of intangible assets.

The increase in total liabilities since December 31, 2017, is mainly due to the acquisition of Alterra, which owned an interest in Spartan and Kokomo joint ventures and associates, and to the investment in Energia Llaima, which owns an interest in Pampa Elvira, partly offset by the scheduled repayment of long-term debt.

Site Development Segment

Expenses up 5% to \$4.3 million for the three-month period ended September 30, 2018

Expenses up 44% to \$13.3 million for the nine-month period ended September 30, 2018

These increases in expenses for the three- and nine-month periods are mainly due to investments made to pursue growth opportunities and to the addition of Alterra's prospective projects.

The increase in total assets since December 31, 2017, stems mainly from the acquisition of the Phoebe solar project, development projects acquired from Alterra and development projects stemming from the investment in Energia Llaima.

Since December 31, 2017, the increase in total liabilities is mainly due to the debt raised to acquire the Phoebe solar project, development projects with Alterra and development projects stemming from the investment in Energia Llaima.

QUARTERLY FINANCIAL INFORMATION

<i>Restated</i> ²	Three months ended			
	Sept 30, 2018	June 30, 2018	Mar. 31, 2018	Dec. 31, 2017
<i>(in millions of dollars, unless otherwise stated)</i>				
Power generated (MWh)	1,556,891	1,823,321	1,136,345	1,106,060
Revenues	140.8	149.5	117.9	108.0
Adjusted EBITDA ¹	91.6	99.1	79.3	80.1
Realized and unrealized net (loss) gain on financial instruments	(3.0)	12.8	(11.3)	(1.4)
Net earnings (loss)	9.4	16.8	(14.6)	3.4
Net earnings (loss) attributable to owners of the parent	10.7	13.3	(6.6)	7.0
Net earnings (loss) attributable to owners of the parent (\$ per share – basic and diluted)	0.07	0.09	(0.07)	0.05
Dividends declared on common shares	22.6	22.5	22.5	17.9
Dividends declared on common shares, \$ per share	0.170	0.170	0.170	0.165

1. Adjusted EBITDA is not a recognized measure under IFRS and therefore may not be comparable to those presented by other issuers. Please refer to the "Non-IFRS Measures" section of this MD&A for more information.

2. For more information on the restatement, please refer to the "Accounting Changes" section. Only data from 2017 was restated.

<i>Restated</i> ²	Three months ended			
	Sept. 30, 2017	June 30, 2017	Mar. 31, 2017	Dec. 31, 2016
<i>(in millions of dollars, unless otherwise stated)</i>				
Power generated (MWh)	1,243,099	1,322,781	722,273	848,967
Revenues	108.2	109.5	74.5	73.3
Adjusted EBITDA ¹	81.8	85.9	50.9	50.3
Realized and unrealized net (loss) gain on financial instruments	(1.0)	(0.5)	5.1	2.2
Net earnings (loss)	4.2	13.9	(2.5)	8.8
Net earnings attributable to owners of the parent	5.7	14.4	2.3	9.8
Net earnings attributable to owners of the parent (\$ per share – basic and diluted)	0.04	0.12	0.01	0.08
Dividends declared on common shares	17.9	17.9	17.9	17.3
Dividends declared on common shares, \$ per share	0.165	0.165	0.165	0.160

1. Adjusted EBITDA is not a recognized measure under IFRS and therefore may not be comparable to those presented by other issuers. Please refer to the "Non-IFRS Measures" section of this MD&A for more information.

2. For more information on the restatement, please refer to the "Accounting Changes" section. Only data from 2017 was restated.

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 48% 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. Geothermal production is fairly stable throughout the year.

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

INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

Electricity Production

	Three months ended September 30					
	2018			2017		
	Production (MWh) ¹	LTA (MWh) ¹	Production as a % of LTA	Production (MWh) ¹	LTA (MWh) ¹	Production as a % of LTA
Toba Montrose	343,867	385,486	89%	—	—	—
Shannon	121,591	140,007	87%	—	—	—
Flat Top	155,418	179,936	86%	—	—	—
Dokie	54,835	67,571	81%	—	—	—
Jimmie Creek	101,853	106,635	96%	—	—	—
Umbata Falls	19,103	21,314	90%	14,164	21,314	66%
Viger-Denonville	15,884	16,350	97%	14,175	16,350	87%
Spartan	5,122	4,928	104%	—	—	—
Kokomo	2,789	3,242	86%	—	—	—
Peuchén ²	53,566	53,479	100%	—	—	—
Mampil ²	41,591	47,596	87%	—	—	—
Guyacán ³	11,488	13,828	83%	—	—	—
Pampa Elvira ³	11,985	12,920	93%	—	—	—

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

2. For the period from July 5, 2018, to September 30, 2018.

3. For the period from July 3, 2018, to September 30, 2018.

	Nine months ended September 30					
	2018			2017		
	Production (MWh) ¹	LTA (MWh) ¹	Production as a % of LTA	Production (MWh) ¹	LTA (MWh) ¹	Production as a % of LTA
Toba Montrose ²	595,098	625,899	95%	—	—	—
Shannon ²	452,384	461,246	98%	—	—	—
Flat Top ³	403,037	436,660	92%	—	—	—
Dokie ²	166,279	174,700	95%	—	—	—
Jimmie Creek ²	159,579	152,463	105%	—	—	—
Umbata Falls	75,902	76,064	100%	91,282	76,064	120%
Viger-Denonville	55,846	52,100	107%	49,179	52,100	94%
Spartan ²	12,062	12,198	99%	—	—	—
Kokomo ²	6,450	8,157	79%	—	—	—
Peuchén ⁴	53,566	53,479	100%	—	—	—
Mampil ⁴	41,591	47,596	87%	—	—	—
Guyacán ⁵	11,488	13,828	83%	—	—	—
Pampa Elvira ⁵	11,985	12,920	93%	—	—	—

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

2. For the period from February 6, 2018, to September 30, 2018.

3. For the period from March 23, 2018, to September 30, 2018.

4. For the period from July 5, 2018, to September 30, 2018.

5. For the period from July 3, 2018, to September 30, 2018.

Innergex's share of Adjusted EBITDA of joint ventures and associates

	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Innergex's share of Adjusted EBITDA of joint ventures and associates ¹ :				
Toba Montrose (40%) ²	13,004	—	18,883	—
Shannon (50%) ^{2 5}	492	—	1,820	—
Flat Top (51%) ^{3 5}	909	—	1,813	—
Dokie (25.5%) ²	1,062	—	3,305	—
Jimmie Creek (50.99%) ²	5,738	—	7,395	—
Umbata Falls (49%)	609	480	2,630	3,477
Viger-Denonville (50%)	946	848	3,446	2,998
Spartan (100%) ^{2 5}	593	—	1,338	—
Kokomo (90%) ^{2 5}	211	—	483	—
Energia Llaima (50%) ⁴	2,434	—	2,434	—
	25,998	1,328	43,547	6,475

1. Innergex's share of Adjusted EBITDA of joint ventures and associates is not a recognized measure under IFRS and therefore may not be comparable to those presented by other issuers. Please refer to the "Non-IFRS Measures" section of this MD&A for more information

2. For the period from February 6, 2018, to September 30, 2018.

3. For the period from March 23, 2018, to September 30, 2018.

4. Energia Llaima includes the Guyacán, Pampa Elvira facilities for the period from July 3, 2018 to September 30, 2018 and the Mampil and Peuchén facilities for the period from July 5, 2018, to September 30, 2018.

5. Ownership interest is in the sponsor equity of Shannon, Flat Top, Spartan and Kokomo, however, tax equity partners hold 100% of the tax equity interests.

The summarized financial information below are the amounts shown in the joint ventures' and associates' financial statements prepared in accordance with IFRS.

Toba Montrose

The Corporation holds a 51% voting interest and 40% participating economic interest in East Toba and Montrose Creek hydro facilities ("Toba Montrose"). In 2046, the Corporation's economic interest will increase to 51% for no additional consideration.

Summary Statements of Earnings and Comprehensive Income (Loss)

	Three months ended September 30, 2018	Period of 237 days ended September 30, 2018
Revenues	37,840	58,157
Operating, general and administrative expenses	5,329	10,950
Adjusted EBITDA ¹	32,511	47,207
Finance costs	7,037	18,266
Other net revenues	(151)	(338)
Depreciation and amortization	4,227	11,275
Unrealized net loss (gain) on financial instruments	196	(365)
Net earnings	21,202	18,369
Other comprehensive income	3,838	1,522
Total comprehensive income	25,040	19,891
Distributions received from the joint venture by the Corporation	7,000	7,000

1. Adjusted EBITDA is not a recognized measure under IFRS and therefore may not be comparable to those presented by other issuers. Please refer to the "Non-IFRS Measures" section of this MD&A for more information.

For the three-month period ended September 30, 2018, and the period from February 6, 2018, to September 30, 2018, production was respectively 89% and 95% of the LTA due to below-average water flows.

Toba Montrose achieved net earnings of \$21.2 million for the three-month period ended September 30, 2018, and \$18.4 million for the period from February 6, 2018, to September 30, 2018, due to high seasonal water flow in the summer months (52% of annual generation is between July and September), which was partially off-set by lower seasonal water flow in the first half of the year (36% of annual generation is between January and June).

For the period from February 6, 2018, to September 30, 2018, the other comprehensive income was attributable to changes in forward interest rates related to the interest rate swap.

Summary Statement of Financial Position

	As at September 30, 2018
Current assets	31,617
Non-current assets	671,351
	702,968
Current liabilities	14,656
Non-current liabilities	475,440
Partner's equity	212,872
	702,968

Toba Montrose uses a derivative financial instrument to manage its exposure to the risk of increasing interest rates on its debt financing and does not own or issue any derivative financial instruments for speculation purposes. An amortizing interest-rate swap totaling \$92.7 million used to hedge the interest rate of the Toba Montrose loan had a net negative value of \$27.6 million at September 30, 2018.

Shannon

The Corporation holds a 50% sponsor equity interest in the Shannon wind facility, with the remaining 50% sponsor equity interest and tax equity interest held by third parties.

Summary Statements of Earnings and Comprehensive Income (Loss)

	Three months ended September 30, 2018	Period of 237 days ended September 30, 2018
Revenues	3,112	9,667
Operating, general and administrative expenses	2,129	6,028
Adjusted EBITDA ¹	983	3,639
Finance costs	167	434
Other net expenses (revenues)	25	(759)
Depreciation and amortization	2,500	6,452
Unrealized net loss on financial instruments	1,780	2,158
Net loss	(3,489)	(4,646)
Other comprehensive income	5,384	14,390
Total comprehensive income	1,895	9,744
Net loss attributable to:		
Tax equity investors	(3,765)	(8,692)
Sponsors:		
Innergex	138	2,023
Other sponsor	138	2,023
	(3,489)	(4,646)
Total comprehensive (loss) income attributable to:		
Tax equity investors	(2,827)	(8,418)
Sponsors:		
Innergex	2,361	9,081
Other sponsor	2,361	9,081
	1,895	9,744
Distributions received from the joint venture by the Corporation	583	2,128

1. Adjusted EBITDA is not a recognized measure under IFRS and therefore may not be comparable to those presented by other issuers. Please refer to the "Non-IFRS Measures" section of this MD&A for more information.

For the three-month period ended September 30, 2018, and the period from February 6, 2018, to September 30, 2018, production was respectively 87% and 98% of the LTA due mainly to below-average wind regimes in the current quarter.

On June 29, 2015, Shannon entered into a long-term power hedge covering the period from June 1, 2016, to May 31, 2029. The power hedge provides for Shannon to receive a fixed dollar amount per MWh for a fixed quantity of power. Shannon and the hedge provider settle net on a monthly basis. The other comprehensive income consists solely of the effective portion of changes in the fair value of the power hedge. Shannon hedges approximately 85% of its output; the power hedge had a net positive value of \$45.5 million at September 30, 2018.

Summary Statement of Financial Position

	As at September 30, 2018
Current assets	6,377
Non-current assets	369,427
	375,804
Current liabilities	13,593
Non-current liabilities	10,595
Tax equity interest	218,919
Sponsors equity interest	132,697
	375,804

One of the primary incentives for renewable energy in the United States has been the production tax credit program ("PTC"), whereby corporations that generate electricity from renewable energy sources, including wind, are eligible for tax credits which provide a tax benefit for each unit of generation for the first 10 years of the facility's operation (until 2025 for Shannon). The Shannon tax equity investors are allocated a portion of Shannon's taxable income (losses) and PTCs and a portion of the cash generated until they achieve an agreed after-tax investment return (the "Flip Point"). After the Flip Point, the Shannon tax equity investors will be allocated 5% of cash distributions and taxable income (losses) and the sponsors will be allocated 95% of all cash distributions and taxable income (losses).

For the three-month period ended September 30, 2018, and the period from February 6, 2018, to September 30, 2018, the wind facility generated approximately \$3.8 million and \$13.8 million of PTCs respectively.

The tax equity investors and sponsors' taxable income (losses) and PTCs and cash distributions allocations are detailed in the table below. These allocations will change when the Tax Equity Investors reach their expected return.

	Tax Equity Investors	Sponsors
Taxable income (losses) and PTCs	99.0%	1.0%
Cash distributions	64.1%	35.9%

Due to exceptionally low winds at the facility during certain parts of 2016 and 2017, there is currently a higher allocation of cash to the tax equity investors, which commenced in the first quarter of 2017. The cash allocations are based on a quarterly test measuring cumulative generation for the project since tax equity funding (December 14, 2015) with allocations to the Sponsors and Tax Equity Investors based on cumulative allocations.

Tax equity investors in U.S. projects generally require sponsor guaranties as a condition to their investment. To support the tax equity investments at Shannon, Alterra, a subsidiary of Innergex, executed a guarantee indemnifying the tax equity investors against certain breaches of project level representations, warranties and covenants and other events. The Corporation believes these indemnifications cover matters which are substantially under its control, and are very unlikely to occur.

Flat Top

The Corporation holds a 51% sponsor equity interest in the Flat Top wind facility, with the remaining 49% sponsor equity interest and tax equity interest held by third parties. The wind farm began commercial operation on March 23, 2018.

Summary Statements of Earnings and Comprehensive Income (Loss)

	Three months ended September 30, 2018	Period of 237 days ended September 30, 2018 ¹
Revenues	4,658	10,057
Operating, general and administrative expenses	2,875	6,503
Adjusted EBITDA ²	1,783	3,554
Finance costs	170	218
Other net expenses	95	89
Depreciation and amortization	3,485	7,021
Unrealized net (gain) loss on financial instruments	(235)	3,824
Net loss	(1,732)	(7,598)
Other comprehensive (loss) income	(6,754)	11,853
Total comprehensive (loss) income	(8,486)	4,255
Net loss attributable to:		
Tax equity investors	(220)	(1,865)
Sponsors:		
Innergex	(771)	(2,924)
Other sponsor	(741)	(2,809)
	(1,732)	(7,598)
Total comprehensive income (loss) attributable to:		
Tax equity investors	12,563	14,696
Sponsors:		
Innergex	(10,735)	(6,251)
Other sponsor	(10,314)	(4,190)
	(8,486)	4,255
Distributions received from the joint venture by the Corporation	1,191	1,749

1. Flat Top began commercial operation on March 23, 2018.

2. Adjusted EBITDA is not a recognized measure under IFRS and therefore may not be comparable to those presented by other issuers. Please refer to the "Non-IFRS Measures" section of this MD&A for more information.

For the the three-month period ended September 30, 2018, and the period from March 23, 2018, to September 30, 2018, production was respectively 86% and 92% of the LTA due mainly to below-average wind regimes in the current quarter and to post-commissioning activities.

On May 24, 2017, Flat Top entered into a long-term power hedge covering the period from August 1, 2018, to July 31, 2031. The power hedge provides for the Corporation to receive a fixed dollar amount per MWh for a fixed quantity of power. Flat Top and the hedge provider settle net on a monthly basis. The other comprehensive income consists solely of the effective portion of changes in the fair value of the power hedge. Flat Top hedges approximately 81% of its output; the power hedge had a net positive value of \$17.5 million at September 30, 2018.

Summary Statement of Financial Position

	As at September 30, 2018
Current assets	11,727
Non-current assets	466,250
	477,977
Current liabilities	19,095
Non-current liabilities	11,933
Tax equity interest	289,294
Sponsors equity interest	157,655
	477,977

One of the primary incentives for renewable energy in the United States has been the PTC program, whereby corporations that generate electricity from renewable energy sources, including wind, are eligible for tax credits which provide a tax benefit for each unit of generation for the first 10 years of the facility's operation (until 2028 for Flat Top). The Flat Top tax equity investors are allocated a portion of Flat Top's taxable income (losses) and PTCs and a portion of the cash generated until they achieve an agreed after-tax investment return. After the Flip Point, the Flat Top tax equity investors will be allocated 5% of cash distributions and taxable income (losses) and the sponsors will be allocated 95% of all cash distributions and taxable income (losses).

For the three-month period ended September 30, 2018, and the period from March 23, 2018, to September 30, 2018, the wind facility generated approximately \$4.9 million and \$12.6 million of PTCs respectively.

The tax equity investors and sponsors' taxable income (losses) and PTCs and cash distributions allocations are detailed in the table below. These allocations will change when the tax equity investors reach their expected return.

	Tax Equity Investors	Sponsors
Taxable income (losses) and PTCs	99.00%	1.00%
Cash distributions	21.97%	78.03%

Tax equity investors in U.S. projects generally require sponsor guaranties as a condition to their investment. To support the tax equity investments at Flat Top, Alterra, a subsidiary of Innergex, executed a guarantee indemnifying the Tax Equity Investors against certain breaches of project level representations, warranties and covenants and other events. The Corporation believes these indemnifications cover matters that are substantially under its control and very unlikely to occur.

Dokie

The Corporation holds a 25.5% interest in the Dokie wind facility.

Summary Statements of Earnings and Comprehensive Income (Loss)

	Three months ended September 30, 2018	Period of 237 days ended September 30, 2018
Revenues	6,233	18,348
Operating, general and administrative expenses	2,067	5,388
Adjusted EBITDA ¹	4,166	12,960
Finance costs	2,675	7,276
Other net expenses	277	202
Depreciation and amortization	3,143	8,025
Net loss and comprehensive loss	(1,929)	(2,543)
Distributions received from the joint venture by the Corporation	510	510

1. Adjusted EBITDA is not a recognized measure under IFRS and therefore may not be comparable to those presented by other issuers. Please refer to the "Non-IFRS Measures" section of this MD&A for more information.

For the three-month period ended September 30, 2018, and the period from February 6, 2018, to September 30, 2018, production was 81% and 95% of the LTA due mainly to below-average wind regimes.

Summary Statement of Financial Position

	As at September 30, 2018
Current assets	7,160
Non-current assets	230,384
	<u>237,544</u>
Current liabilities	8,059
Non-current liabilities	138,490
Partner's equity	90,995
	<u>237,544</u>

Jimmie Creek

The Corporation holds a 50.99% interest in the Jimmie Creek hydro facility.

Summary Statements of Earnings and Comprehensive Income (Loss)

	Three months ended September 30, 2018	Period of 237 days ended September 30, 2018
Revenues	12,297	16,798
Operating, general and administrative expenses	1,046	2,298
Adjusted EBITDA ¹	11,251	14,500
Finance costs	2,356	6,291
Other net expenses	31	133
Depreciation and amortization	1,179	3,202
Net earnings and comprehensive income	<u>7,685</u>	<u>4,874</u>

1. Adjusted EBITDA is not a recognized measure under IFRS and therefore may not be comparable to those presented by other issuers. Please refer to the "Non-IFRS Measures" section of this MD&A for more information.

For the three-month period ended September 30, 2018, and the period from February 6, 2018, to September 30, 2018, production was respectively 96% and 105% of the LTA due mainly to slightly below-average water flows in the current quarter, which partially offset the above-average water flows from the first half of the year.

Jimmie Creek achieved net earnings and comprehensive income of \$7.7 million for the three-month period ended September 30, 2018 and \$4.9 million for the period from February 6, 2018 to September 30, 2018 as a result of high seasonal water flows in the summer months (64% of annual generation is between July and September), which are partially offset by the low seasonal water flows in the first half of the year (28% of annual generation is between January and June).

Summary Statement of Financial Position

	As at September 30, 2018
Current assets	13,849
Non-current assets	232,818
	<u>246,667</u>
Current liabilities	1,935
Non-current liabilities	165,965
Partner's equity	78,767
	<u>246,667</u>

Umbata Falls

The Corporation holds a 49% interest in the Umbata Falls hydro facility.

Summary Statements of Earnings and Comprehensive Income (loss)

	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Revenues	1,439	1,205	6,029	7,771
Operating and general and administrative expenses	197	225	661	676
Adjusted EBITDA ¹	1,242	980	5,368	7,095
Finance costs	561	597	1,696	1,805
Other net revenues	(21)	(12)	(60)	(30)
Depreciation and amortization	1,003	1,004	3,009	3,013
Unrealized net gain on financial instruments	(933)	(1,080)	(1,620)	(1,859)
Net earnings and comprehensive income	632	471	2,343	4,166
Distributions received from the joint venture by the Corporation	884	1,020	1,685	1,728

1. Adjusted EBITDA is not a recognized measure under IFRS and therefore may not be comparable to those presented by other issuers. Please refer to the "Non-IFRS Measures" section of this MD&A for more information.

For the three-month period ended September 30, 2018, production was 90% due to below-average water flows while production reached 100% of the LTA for the nine-month period ended September 30, 2018, due to average water flows overall.

The increase in Adjusted EBITDA for the three-month period ended September 30, 2018, is due mainly to higher production this quarter compared to the same period last year. For the nine-month period ended September 30, 2018, the decrease is due mainly to lower production this year compared with the same period last year and to the end of the EcoEnergy program subsidies in May 2018.

Net earnings and comprehensive income increased for the three-month period ended September 30, 2018, and decreased for the nine-month period ended September 30, 2018, due to the change in production and revenues compared to the same periods last year.

Summary Statements of Financial Position

	As at	
	September 30, 2018	December 31, 2017
Current assets	1,605	3,550
Non-current assets	57,859	60,658
	59,464	64,208
Current liabilities	2,527	3,512
Non-current liabilities	38,262	40,924
Partners' equity	18,675	19,772
	59,464	64,208

Viger-Denonville

The Corporation holds a 50% interest in the Viger-Denonville wind facility.

Summary Statements of Earnings and Comprehensive Income (Loss)

	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Revenues	2,389	2,125	8,399	7,372
Operating and general and administrative expenses	498	428	1,508	1,375
Adjusted EBITDA ¹	1,891	1,697	6,891	5,997
Finance costs	825	858	2,485	2,599
Other net revenues	(18)	(10)	(52)	(27)
Depreciation and amortization	627	730	1,881	2,189
Unrealized net gain on financial instruments	(161)	(209)	(487)	(544)
Net earnings	618	328	3,064	1,780
Other comprehensive income	681	877	1,025	1,395
Total comprehensive income	1,299	1,205	4,089	3,175
Distributions received from the joint venture by the Corporation	600	400	1,688	953

1. Adjusted EBITDA is not a recognized measure under IFRS and therefore may not be comparable to those presented by other issuers. Please refer to the "Non-IFRS Measures" section of this MD&A for more information.

For the three- and nine-month periods ended September 30, 2018, production was 97% and 107% of the LTA due mainly to variations in wind regime.

For the three- and nine-month periods ended September 30, 2018, the Adjusted EBITDA increased due mainly to higher production compared with last year.

For the three- and nine-month periods ended September 30, 2018, the increases in net earnings compared with last year are due mainly to higher Adjusted EBITDA and lower depreciation and amortization due to an increase in the depreciation period for wind assets.

For the three- and nine-month periods ended September 30, 2018, the decreases in other comprehensive income are attributable mainly to smaller unrealized net gains on financial instruments.

Summary Statements of Financial Position

	As at	
	September 30, 2018	December 31, 2017
Current assets	2,035	3,005
Non-current assets	51,786	53,812
	53,821	56,817
Current liabilities	3,942	4,355
Non-current liabilities	46,623	49,920
Partners' equity	3,256	2,542
	53,821	56,817

Spartan

The Corporation owns 100% of the sponsor equity interest in the Spartan solar facility and none of the tax equity interest which is owned by a third party.

Summary Statements of Earnings and Comprehensive Income (Loss)

	Three months ended September 30, 2018	Period of 237 days ended September 30, 2018
Revenues	698	1,585
Operating, general and administrative expenses	105	247
Adjusted EBITDA ¹	593	1,338
Finance costs	216	546
Other net expenses	—	142
Depreciation and amortization	343	910
Unrealized net gain on financial instruments	—	(1)
Net earnings (loss)	34	(259)
Other comprehensive income	84	443
Total comprehensive income	118	184
Net earnings (loss) attributable to:		
Tax equity investor	40	(58)
Sponsor	(6)	(201)
	34	(259)
Total comprehensive income (loss) attributable to:		
Tax equity investor	124	382
Sponsor	(6)	(198)
	118	184

1. Adjusted EBITDA is not a recognized measure under IFRS and therefore may not be comparable to those presented by other issuers. Please refer to the "Non-IFRS Measures" section of this MD&A for more information.

Summary Statement of Financial Position

	As at September 30, 2018
Current assets	1,050
Non-current assets	26,778
	27,828
Current liabilities	677
Non-current liabilities	11,657
Tax equity interest	12,532
Sponsor equity interest	2,962
	27,828

Kokomo

The Corporation holds a 90% sponsor equity interest in the Kokomo solar facility, with the remaining 10% sponsor equity interest and tax equity interest held by third parties.

Summary Statements of Earnings and Comprehensive Income (Loss)

	Three months ended September 30, 2018	Period of 237 days ended September 30, 2018
Revenues	295	683
Operating, general and administrative expenses	61	146
Adjusted EBITDA ¹	234	537
Finance costs	95	251
Other net expenses	4	23
Depreciation and amortization	168	442
Net loss	(33)	(179)
Other comprehensive income	46	235
Total comprehensive income	13	56
Net loss attributable to:		
Tax equity investor	(13)	(85)
Sponsors	(20)	(94)
	(33)	(179)
Total comprehensive income (loss) attributable to:		
Tax equity investor	31	146
Sponsors	(18)	(90)
	13	56

1. Adjusted EBITDA is not a recognized measure under IFRS and therefore may not be comparable to those presented by other issuers. Please refer to the "Non-IFRS Measures" section of this MD&A for more information.

Summary Statement of Financial Position

	As at September 30, 2018
Current assets	146
Non-current assets	12,270
	12,416
Current liabilities	581
Non-current liabilities	4,923
Tax equity interest	4,794
Sponsors equity interest	2,118
	12,416

Energia Llama

The Corporation holds a 50% equity interest in Energia Llama, which produces and sells electricity from the Guyacán (69.47% interest), Mampil (100% interest) and Peuchén (100% interest) hydro facilities and the Pampa Elvira (55% interest) solar-thermal facility in Chile.

Summary Statements of Earnings and Comprehensive Income (Loss)

	Period of 89 days ended September 30, 2018
Revenues	12,677
Operating, general and administrative expenses	7,810
Adjusted EBITDA ¹	4,867
Finance costs	5,855
Other net revenues	(686)
Depreciation and amortization	2,455
Recovery of tax expenses	(726)
Net loss and comprehensive loss	(2,030)

1. Adjusted EBITDA is not a recognized measure under IFRS and therefore may not be comparable to those presented by other issuers. Please refer to the "Non-IFRS Measures" section of this MD&A for more information.

For the period from July 3, 2018 to September 30, 2018, production of the four facilities combined was 93% of the LTA due mainly to below-average water flows at Duqueco and Guyacán and repair and maintenance work performed at Pampa Elvira.

For the period from July 3, 2018 to September 30, 2018, Energia Llama recorded a net loss of \$2.0 million due to high operating, general and administrative expenses.

Summary Statement of Financial Position

	As at September 30, 2018
Current assets	53,865
Non-current assets	544,082
	597,947
Current liabilities	14,966
Non-current liabilities	234,573
Equity attributable to owners of Energia Llama	282,774
Non-controlling interests	65,634
	597,947

Blue Lagoon

HS Orka holds a 30% interest in Blue Lagoon hf., which operates the Blue Lagoon geothermal spa in Iceland.

Reconciliation of the carrying amount of the interest in the associate recognized in the consolidated financial statements:

	As at September 30, 2018
Opening Balance, January 1, 2018	—
Preliminary fair value pursuant to acquisition of Alterra	141,135
Share of comprehensive income	7,127
Distributions received	(7,557)
Foreign exchange	(7,176)
Ending Balance, September 30, 2018	133,529

Commitments of joint ventures and associates acquired during the year

As at September 30, 2018, the Corporation's share of the expected schedule of commitment payments for the joint ventures and associates acquired during the year are as follows:

Years of	Wind Power Generation
2018	1,542
2019	7,073
2020	7,073
2021	7,073
2022	7,073
Thereafter	95,260
Total	125,094

NON-WHOLLY OWNED SUBSIDIARIES

HS Orka hf ("HS Orka")

The Corporation holds a 53.9% interest in HS Orka which produces and sells electricity from two operating geothermal plants located in Iceland, namely Reykjanes and Svartsengi.

Summary Statements of Earnings and Comprehensive Income – HS Orka

	Three months ended September 30, 2018	Period of 237 days ended September 30, 2018
Revenues	25,297	67,292
Adjusted EBITDA ¹	8,788	16,878
Net earnings ²	3,043	5,570
Other comprehensive loss	(38,318)	(36,530)
Total comprehensive loss	(35,275)	(30,960)
Net earnings attributable to:		
Owners of the parent	1,640	3,003
Non-controlling interests	1,403	2,567
	3,043	5,570
Total comprehensive loss attributable to:		
Owners of the parent	(19,013)	(16,687)
Non-controlling interests	(16,262)	(14,273)
	(35,275)	(30,960)

1. Adjusted EBITDA is not a recognized measure under IFRS and therefore may not be comparable to those presented by other issuers. Please refer to the "Non-IFRS Measures" section of this MD&A for more information.

2. Expenses also include non-cash expenses, such as depreciation and amortization totalling \$5.6 million and an unrealized net loss on financial instruments related to embedded derivatives totalling \$1.1 million for the three-month period ended September 30, 2018. Expenses also include non-cash expenses, such as depreciation and amortization totalling \$14.7 million and an unrealized net loss on financial instruments related to embedded derivatives totalling \$6.2 million for the 237-day period ended September 30, 2018.

Summary Statement of Financial Position – HS Orka

	As at September 30, 2018
Current assets	35,257
Non-current assets	825,026
	860,283
Current liabilities	31,681
Non-current liabilities	199,651
Equity attributable to owners of the parent	339,005
Non-controlling interests	289,946
	860,283

RELATED PARTY TRANSACTIONS

Related party transactions conducted in the normal course of operations are measured at fair value which is the amount established and agreed to by the related parties, unless specific requirements within IFRS require different treatment.

As part of the acquisition of Alterra, the following debts were assumed: (i) in 2011, Ross J. Beaty, chairman of the board of directors and a large shareholder of Alterra, entered into a revolving credit facility with Alterra (the "Credit Facility"). The Credit Facility had a borrowing capacity of \$20 million and made funds available to Alterra on a revolving basis at an interest rate of 8% per annum, compounded and payable monthly. In addition, a standby fee in the amount of 0.75% of the Credit Facility and a drawdown fee in the amount of 1.5% of amounts advanced were payable in cash. The Credit Facility matured on March 31, 2018. Alterra had borrowed \$17.3 million under the Credit Facility; and (ii) in October 2016, Ross J. Beaty loaned, through a five-year term bond, US\$35.7 million to Alterra's subsidiary Magma Energy Sweden A.B (the "Bond"). The Bond paid interest at 8.5% per annum with an upfront fee of 2% of the principal which was paid at closing of the financing. The Bond was collateralized by 15% of the outstanding shares in HS Orka. To optimize its treasury management, the Corporation repaid both the Credit Facility and the Bond in the first quarter of 2018.

NON-IFRS MEASURES

This MD&A has been prepared in accordance with IFRS. However, some measures referred to in this MD&A are not recognized measures under IFRS and therefore may not be comparable to those presented by other issuers. Innergex believes that these indicators are important, as they provide management and the reader with additional information about the Corporation's production and cash generation capabilities, its ability to sustain current dividends and dividend increases and its ability to fund its growth. These indicators also facilitate the comparison of results over different periods. Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted EBITDA Proportionate, Innergex's share of Adjusted EBITDA of joint ventures and associates, Adjusted Net Earnings (Loss), 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. Innergex believes that the presentation of this measure enhances the understanding of the Corporation's operating performance. Readers are cautioned that Adjusted EBITDA should not be construed as an alternative to net earnings, as determined in accordance with IFRS. Please refer to the "Operating Results" section of this MD&A for the reconciliation of Adjusted EBITDA.

References in this document to "Adjusted EBITDA Margin" are to Adjusted EBITDA divided by revenues. Innergex believes that the presentation of this measure enhances the understanding of the Corporation's operating performance.

References in this document to "Innergex's share of Adjusted EBITDA of the joint ventures and associates" are to Innergex's ownership interest in the equity or in the sponsors' equity when applicable of the Adjusted EBITDA of the joint ventures and associates. Please refer to the "Investments in Joint Ventures and Associates" section of this MD&A for the reconciliation of Adjusted EBITDA Proportionate.

References in this document to "Adjusted EBITDA Proportionate" are to Adjusted EBITDA plus Innergex's share of Adjusted EBITDA of the joint ventures and associates. Innergex believes that the presentation of this measure enhances the understanding of the Corporation's operating performance. Readers are cautioned that Adjusted EBITDA Proportionate should not be construed as an alternative to net earnings, as determined in accordance with IFRS.

References to "Adjusted Net Earnings (Loss)" are to net earnings or losses of the Corporation, to which the following elements are added (subtracted): unrealized net (gain) loss on financial instruments; realized (gain) loss on financial instruments; income tax expense (recovery) related to the above items; and the share of unrealized net (gain) loss on derivative financial instruments of joint ventures and associates, net of related tax. Innergex uses derivative financial instruments to hedge its exposure to various risks, such as interest rate and foreign exchange risks. Accounting for derivatives under International Accounting Standards requires that all derivatives are marked-to-market with changes in the mark-to-market of the derivatives for which hedge accounting is not applied being taken to the profit and loss account. The application of this accounting standard results in a significant amount of profit and loss volatility arising from the use of derivatives that are not designated for hedge accounting. The Adjusted Net Earnings (Loss) of the Corporation aims to eliminate the impact of the mark-to-market rules on derivatives on the profit and loss of the Corporation. Innergex believes that the analysis and presentation of net earnings or loss on this basis enhances understanding of the Corporation's operating performance. Readers are cautioned that Adjusted Net Earnings (Loss) should not be construed as an alternative to net earnings, as determined in accordance with IFRS. Please refer to the "Operating Results" section of this MD&A for the reconciliation of Adjusted Net Earnings (Loss).

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 or minus other elements that are not representative of the Corporation’s long-term cash generating capacity, such as transaction costs related to realized acquisitions (which are financed at the time of the acquisition), realized losses or gains on derivative financial instruments used to hedge the interest rate on project-level debt or the exchange rate on equipment purchases. Innergex believes that presentation of this measure enhances the understanding of the Corporation’s cash generation capabilities, its ability to sustain current dividends and dividend increases and its ability to fund its growth. Readers are cautioned that Free Cash Flow should not be construed as an alternative to cash flows from operating activities, as determined in accordance with IFRS. Please refer to the “Free Cash Flow and Payout Ratio” section of this MD&A for the reconciliation of Free Cash Flow.

References to “Payout Ratio” are to dividends declared on common shares divided by Free Cash Flow. Innergex believes that this is a measure of its ability to sustain current dividends and dividend increases as well as its ability to fund its growth.

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”), including the Corporation’s power production, prospective projects, successful development, construction and financing (including tax equity funding) of the projects under construction and the advanced-stage prospective projects, sources and impact of funding project acquisitions, including of Cartier Wind Farms (including the consummation and timing of the potential divestiture of selected assets, execution of non-recourse project level financing (including the timing and amount thereof), and strategic, operational and financial benefits and accretion expected to result from such acquisitions, that the Corporation will be able to successfully execute its strategy of repaying the short term financing as described herein, estimates of recoverable geothermal energy resources, business strategy, future development and growth prospects, business integration, governance, business outlook, objectives, plans and strategic priorities, and other statements that are not historical facts. Forward-Looking Information can generally be identified by the use of words such as “approximately”, “may”, “will”, “could”, “believes”, “expects”, “intends”, “should”, “would”, “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, and estimated project costs, to inform readers of the potential financial impact of expected results, of the expected commissioning of Development Projects, of the potential financial impact of the acquisitions, of the Corporation’s ability to sustain current dividends 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, geothermal resources and solar irradiation, performance of operating facilities, project performance, economic, financial and financial market conditions, the Corporation’s success in developing and constructing new facilities, expectations and assumptions concerning availability of capital resources and timely performance by third parties of contractual obligations, receipt of regulatory approvals and that the project level financing and divestiture of select assets to support the acquisition of the Cartier Wind Farms occurs as planned.

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 “Risk Factors” section of the Annual Information Form 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 the capital markets; liquidity risks related to derivative financial instruments; variability in hydrology, geothermal resources, wind regimes and solar irradiation; delays and cost overruns in the design and construction of projects; the ability to secure new power purchase agreements or renew any power purchase agreement; fluctuation affecting prospective power prices; health, safety and environmental risks; uncertainties surrounding the development of new facilities; obtaining of permits; equipment failure or unexpected operations and maintenance activity; interest rate fluctuations and refinancing risk; financial leverage and restrictive covenants governing current and future indebtedness; the possibility that the Corporation may not declare or pay a dividend; potential undisclosed liabilities associated with the Alterra Acquisition; failure to realize the anticipated benefits of the Alterra Acquisition and the acquisition of the Cartier Wind Farms; integration of the Alterra Acquisition and the acquisition of the Cartier Wind Farms; changes in governmental support to increase electricity to be generated from renewable sources by independent power producers; variability of installation performance and related penalties; the ability to attract new talent or to retain officers or key employees; litigation; performance of major counterparties; social acceptance of renewable energy projects; relationships with stakeholders; equipment supply; exposure to many different forms of taxation in various jurisdictions;

changes in general economic conditions; regulatory and political risks; ability to secure appropriate land; reliance on PPAs; availability and reliability of transmission systems (including due to reliance on third parties); foreign market growth and development risks; foreign exchange fluctuations; increases in water rental cost or changes to regulations applicable to water use; assessment of water, wind, geothermal and sun resources and associated electricity production; natural disasters and *force majeure*; cybersecurity; sufficiency of insurance coverage limits and exclusions; a credit rating that may not reflect actual performance of the Corporation or a lowering (downgrade) of the credit rating; 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; risks related to U.S. production and investment tax credits, changes in U.S. corporate tax rates and availability of tax equity financing; host country economic, social and political conditions; risk inherent to geothermal resources; aluminum price risks; geological occurrences, rockslides, avalanches or other occurrences outside the Corporation's control; adverse claims to property title; unknown liabilities; reliance on intellectual property and confidential agreements to protect our rights and confidential information.

There are also risks inherent to the acquisition of TransCanada's stake in the five Cartier wind farms, including incorrect assessments of the value of the entity and our ability to secure non-recourse long term project level financing (including the timing and amount thereof). There can also be no assurance that the strategic, operational or financial benefits expected to result from the Transaction will be realized. In addition, the potential divestiture of selected assets are also subject to inherent risks and uncertainties including the outcomes of Innergex's exploration to find interested purchaser(s) and partner(s), the ability to correctly assess the value of the assets, the consummation and timing of any such transaction(s) and the terms of such transaction(s), if any, and if consummated, the ability of Innergex to realize the expected benefits of such transaction(s).

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; for solar energy, the historical solar irradiation conditions, panel technology and expected solar panel degradation; and for geothermal power, the historical geothermal resources, natural depletion of geothermal resources over time, the technology used and the potential of energy loss to occur before delivery. 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 Dokie, East Toba, Flat Top, Guyacán, Jimmie Creek, Kokomo, Mampil, Montrose Creek, Pampa Elvira, Peuchén, Shannon, Spartan, Umbata Falls and Viger-Denonville, which are accounted for using the equity method).</p>	<p>Improper assessment of water, wind, sun and geothermal resources and associated electricity production</p> <p>Variability in hydrology, wind regimes, solar irradiation and geothermal resources</p> <p>Natural depletion of geothermal resources</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 PPA secured with a public utility or other creditworthy counterparty mainly. These PPAs 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, 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. Revenues at the HS Orka facilities also fluctuates with the price of aluminum, as certain of those PPAs are linked to such price. 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 Dokie, East Toba, Flat Top, Guyacán, Jimmie Creek, Kokomo, Mampil, Montrose Creek, Pampa Elvira, Peuchén, Shannon, Spartan, 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>Changes in the purchase price of electricity upon renewal of a PPA</p>

Principal Assumptions	Principal Risks and Uncertainties
<p>Projected Adjusted EBITDA</p> <p>For each facility, the Corporation estimates annual operating earnings by subtracting from the estimated revenues the budgeted annual operating costs, which consist primarily of operators' salaries, insurance premiums, operations and maintenance expenditures, property taxes, royalties and cost of power (if applicable); these are predictable and relatively fixed, varying mainly with inflation (except for maintenance expenditures and cost of power). On a consolidated basis, the Company estimates annual Adjusted EBITDA by adding together the projected operating earnings of all the facilities in operation that it consolidates (excludes Dokie, East Toba, Flat Top, Guyacán, Jimmie Creek, Kokomo, Mampil, Montrose Creek, Pampa Elvira, Peuchén, Shannon, Spartan, Umbata Falls and Viger-Denonville, which are accounted for using the equity method), from which it subtracts budgeted general and administrative expenses, comprised essentially of salaries and office expenses, and budgeted prospective project expenses, which are determined based on the number of prospective projects the Corporation chooses to develop and the resources required to do so.</p>	<p>Lower revenues caused mainly by the risks and uncertainties mentioned above</p> <p>Variability of facility performance and related penalties</p> <p>Unexpected maintenance expenditures</p>
<p>Estimated project costs, expected obtainment of permits, start of construction, work conducted and start of commercial operation for Development Projects or Prospective Projects</p> <p>For each development project, the Corporation provides an estimate of project costs based on its extensive experience as a developer, directly related incremental internal costs, site acquisition costs and financing costs, which are eventually adjusted for the projected costs provided by the engineering, procurement and construction ("EPC") contractor retained for the project.</p> <p>The Corporation provides indications regarding scheduling and construction progress for its Development Projects and indications regarding its Prospective Projects, based on its extensive experience as a developer.</p>	<p>Performance of counterparties, such as the EPC contractors</p> <p>Delays and cost overruns in the design and construction of projects</p> <p>Obtainment of permits</p> <p>Equipment supply</p> <p>Interest rate fluctuations and financing risk</p> <p>Relationships with stakeholders</p> <p>Regulatory and political risks</p> <p>Higher-than-expected inflation</p> <p>Natural disaster</p> <p>Outcome of insurance claims</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>Qualification for PTCs and ITC</p> <p>For certain Development Projects in the United States, the Corporation has conducted on and off-site activities expected to qualify its Development Projects for PTCs or ITC at the full rate and to obtain tax equity financing on such basis. To assess the potential qualification of a project, the Corporation takes into account the construction work performed and the timing of such work.</p>	<p>Risks related to U.S. Production Tax Credit, Investment Tax Credit, changes in U.S. Corporate Tax</p> <p>Risks related to the project qualification to be eligible to PTCs and ITC</p> <p>Rates and availability of Tax Equity Financing</p> <p>Regulatory and political risks</p> <p>Delays and cost overruns in the design and construction of projects</p> <p>Obtainment of permits</p>
<p>Expected closing of the non-recourse project financing</p> <p>That the Corporation is able to successfully secure, on the time line and in the amount expected, project level non-recourse financing to support the acquisition of the Cartier Wind Farms. That the value of such acquired assets is sufficient to support such financing.</p>	<p>Availability of the capital</p> <p>Regulatory and political risks</p> <p>Market conditions, and other risks inherent in project financing</p> <p>Assessment of the value of the acquired assets, and performance thereof</p> <p>Performance of counterparties</p>
<p>Potential divestiture of selected assets</p> <p>The Corporation ability to successfully identify potential purchases, assess and realize the value of such assess in a successful divestiture and the timing thereof. The Corporation's strategy of divesting certain assets successfully advances the Corporation's long-term strategy and enhances the Corporation's value.</p>	<p>Accurate assessment of the value of any divested assets and of the value Innergex will receive in return</p> <p>That the Corporation's long-term strategy improves the Corporation's value</p> <p>That the divestiture of assets closing within a time frame that allows the Corporation to use such divestiture to support the acquisition of the Cartier Wind Farms.</p> <p>Market conditions, and other risk inherent in closing of such transactions</p> <p>Regulatory and political risks</p> <p>Performance of counterparties</p>

ACCOUNTING CHANGES

Revised IFRS affecting the reported financial performance and financial position in the current period

IFRS 2 – Share-based Payments

In June 2016, the IASB issued amendments to IFRS 2 Share-based Payments, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after January 1, 2018. The application of the amendments of this standard had no material impact on the amounts reported for the current period.

IFRS 15 – Revenue from Contracts with Customers

In May 2014, IASB issued IFRS 15 – Revenue from Contracts with Customers (“IFRS 15”). This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC-31 Revenue-Barter Transactions Involving Advertising Services. IFRS 15 applies to all contracts with customers except those that are within the scope of other IFRSs. IFRS 15 is effective for annual periods commencing on or after January 1, 2018. The application of this standard had no material impact on the amounts reported for the current period.

Retrospective application of IFRS 9 (2014) Financial Instruments

In July 2014, the IASB issued the complete IFRS 9 (2014), Financial Instruments (“IFRS 9 (2014)”). IFRS 9 (2014) differs in some regards from IFRS 9 (2013) which the Corporation early adopted effective October 1, 2014. IFRS 9 (2014) includes updated guidance on the classification and measurement of financial assets. The final standard also amends the impairment model by introducing a new expected credit loss model for calculating impairment. The mandatory effective date of IFRS 9 (2014) is for annual periods beginning on or after January 1, 2018, and must be applied retrospectively with some exemptions. The application of this standard had an impact on the amounts reported for the current period.

A clarification to IFRS 9 was released in October 2017 related to the treatment of a modification of a financial liability that does not result in the derecognition of the financial liability. The amortized cost of the financial liability is recalculated using the modified cash flows and the original effective interest rate. Any change in the amortized cost is recognized in the statement of earnings on the date of the modification or at the date of the application of IFRS 9 (2014). This change is required to be applied retrospectively.

The following tables show the effects of the retrospective application to the modification of the Montagne-Sèche, L.P. debt in 2014 and the Stardale L.P. debt in 2016 as readjusted in September 2018:

	As presented on January 1, 2017	Application of IFRS 9 (2014)	Restated balance as of January 1, 2017
Long-term debt	2,507,236	(4,922)	2,502,314
Deferred tax liabilities	176,965	1,317	178,282
Deficit	(601,157)	3,605	(597,552)

	As presented on December 31, 2017	Application of IFRS 9 (2014)	Restated balance as of December 31, 2017
Long-term debt	3,047,583	(4,196)	3,043,387
Deferred tax liabilities	215,593	1,123	216,716
Deficit	(651,233)	3,073	(648,160)

	Year ended December 31, 2017	Application of IFRS 9 (2014)	Restated balance for the year ended December 31, 2017
Finance costs	146,766	726	147,492
Deferred income taxes expenses	3,154	(194)	2,960

	Three months ended September 30, 2017	Application of IFRS 9 (2014)	Restated balance for the three months period ended September 30, 2017
Finance costs	38,007	182	38,189
Deferred income taxes expenses	2,860	(49)	2,811

	Nine months ended September 30, 2017	Application of IFRS 9 (2014)	Restated balance for the nine months period ended September 30, 2017
Finance costs	106,368	548	106,916
Deferred income taxes expenses	4,219	(146)	4,073

IFRS issued but not yet effective

IFRS 16 – Leases (IFRS 16)

On January 13, 2016, the IASB issued IFRS 16 that provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It supersedes IAS 17 Leases and its associated interpretive guidance. Significant changes were made to lessee accounting with the distinction between operating and finance leases removed and assets and liabilities recognized in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). In contrast, IFRS 16 does not include significant changes to the requirements for lessors. IFRS 16 is effective January 1, 2019, with earlier application permitted. The Corporation is currently evaluating the impact of the standard on its consolidated financial statements. Identification of the leases to which this standard might apply is ongoing. The Corporation intends to apply this standard retrospectively from January 1, 2019 without restating the figures for the comparative periods (modified retrospective approach). Based on information collected from preliminary assessments, the Corporation expects that land leases will bear the most impact due to their volume, primarily in the wind power generation segment.

Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)

On October 12, 2017, the IASB has published Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28) to clarify that an entity applies IFRS 9 'Financial Instruments' to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. The amendments are effective for periods beginning on or after 1 January 2019. The application of this standard is not expected to have an impact for the Corporation.

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

In accordance with Regulation 52-109 respecting 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 they have designed, or caused it 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 made known to the President and Chief Executive Officer and the Chief Financial Officer by others, particularly during the period in which the interim 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 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.

There were no significant weakness relating to the design of DC&P as at September 30, 2018. Moreover, there were no material weakness relating to the design of ICFR as at September 30, 2018.

During the period beginning on July 1, 2018 and ended on September 30, 2018, there was no change in the ICFR that has materially affected, or is reasonably likely to materially affect, the Corporation's ICFR.

The President and Chief Executive Officer and the Chief Financial Officer have also limited the scope of the Corporation's design of DC&P and ICFR to exclude the controls, policies and procedures of the Alterra Power Group Entities together with the Phoebe photovoltaic solar project and the investment in the Energia Llaima for a 50% ownership which comprises the Duquenco hydro project (collectively "entities excluded from the Corporation's control policies and procedures"). The evaluation of the design and the operating effectiveness of the DC&P and ICFR for these entities will be completed in the 12 months following their dates of acquisition. A summary of the financial information about the entities excluded is presented in the "Entities Excluded from the Corporation's Control Policies and Procedures" section of this MD&A.

ENTITIES EXCLUDED FROM THE CORPORATION'S CONTROL POLICIES AND PROCEDURES

As stated in the "Establishment and Maintenance of DC&P and ICFR" section of this MD&A, the figures for the Alterra Power Group Entities which includes the Phoebe solar project, and the 50% interest in the Energia Llaima joint venture which comprises the Duquenco River hydro project are excluded from the Corporation's control policies and procedures.

Summary financial information about the Alterra Power Group Entities and Energia Llaima is set out below:

Summary Statement of Earnings and Comprehensive Income (Loss) – Alterra Power Group Entities

	Three months ended September 30, 2018	Period of 237 days ended September 30, 2018
Revenues	25,297	67,292
Adjusted EBITDA ¹	7,154	17,529
Net earnings (loss)	6,117	(945)
Other comprehensive loss	(45,377)	(31,999)
Total comprehensive loss	(39,260)	(32,944)

1. Adjusted EBITDA is not a recognized measure under IFRS and therefore may not be comparable to those presented by other issuers. Please refer to the "Non-IFRS Measures" section of this MD&A for more information.

Summary Statement of Financial Position – Alterra Power Group Entities

	As at September 30, 2018
Current assets	42,487
Non-current assets	1,391,411
	1,433,898
Current liabilities	69,557
Non-current liabilities	662,750
Equity	417,921
Non-controlling interests	283,670
	1,433,898

The results, assets and liabilities of the Energia Llaima joint venture are incorporated in these consolidated financial statements using the equity method of accounting. Summary financial information about Energia Llaima is set out below:

Summary Statement of Earnings and Comprehensive Income (Loss) – Energia Llaima

	Period of 89 days ended September 30, 2018
Revenues	12,677
Adjusted EBITDA ¹	4,867
Net loss and comprehensive loss	(2,030)

1. Adjusted EBITDA is not a recognized measure under IFRS and therefore may not be comparable to those presented by other issuers. Please refer to the "Non-IFRS Measures" section of this MD&A for more information.

Summary Statement of Financial Position – Energia Llaima

	As at September 30, 2018
Current assets	53,865
Non-current assets	544,082
	597,947
Current liabilities	14,966
Non-current liabilities	234,573
Equity attributable to owners of Energia Llaima	282,774
Non-controlling interests	65,634
	597,947

SUBSEQUENT EVENTS

Acquisition of our partner's interest in the five Cartier wind farms

On October 24, 2018, the Corporation completed the acquisition of TransCanada's 62% interest in five wind farms in Quebec's Gaspé peninsula, namely, Baie-des-Sables, Carleton, Gros-Morne, L'Anse-à-Valleau and Montagne Sèche (the "Cartier Wind Farms") – and its 50% interest in the operating entities of the Cartier Wind Farms (the "Cartier Operating Entities"), for a total consideration of approximately \$620 million after adjustment for distributions received by TransCanada since July 1, 2018.

Concurrent with the closing of the acquisition, Innergex has obtained two short-term credit facilities to cover the purchase price and transaction costs in their entirety.

Innergex has obtained a one-year term non-recourse credit facility of \$400 million, which the Corporation intends to repay from the proceeds of a non-recourse long-term project level financing based on the useful life of the assets. Discussions with long-term lenders are at an advanced stage and closing of the non-recourse long-term financing of the projects is expected in the coming months.

Innergex has also obtained a one-year term credit facility of \$228 million to be reimbursed through the strategic divestment of selected assets which would be optimal for the long-term performance and outlook of the Corporation. Management believes there are a number of attractive, actionable opportunities to monetize selected assets or portions of existing assets in a manner that supports Innergex's long-term strategy. The Corporation will diligently investigate these various options to derive maximum value from its portfolio of assets. The timing of such sales is subject to prevailing market conditions but are expected to be completed within a year.

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

		Three months ended September 30		Nine months ended September 30	
		2018	2017	2018	2017
	Notes		(Restated Note 2.2)		(Restated Note 2.2)
Revenues		140,768	108,234	408,190	292,290
Expenses					
Operating	4	36,634	18,092	100,056	51,396
General and administrative		8,180	4,689	24,737	14,024
Prospective projects		4,320	3,650	13,293	8,206
Earnings before finance costs, income taxes, depreciation, amortization, other net expenses (revenues), share of earnings of joint ventures and associates and unrealized net loss (gain) on financial instruments		91,634	81,803	270,104	218,664
Finance costs	5	48,457	38,189	143,566	106,916
Other net expenses (revenues)	6	2,519	746	6,134	(26)
Earnings before income taxes, depreciation, amortization, share of earnings of joint ventures and associates and unrealized net loss (gain) on financial instruments		40,658	42,868	120,404	111,774
Depreciation	4,10	30,483	22,932	89,716	68,455
Amortization	4	10,859	10,475	32,565	26,497
Share of earnings of joint ventures and associates	7	(15,279)	(394)	(17,117)	(2,931)
Unrealized net loss (gain) on financial instruments	8	2,967	1,009	2,293	(3,596)
Earnings before income taxes		11,628	8,846	12,947	23,349
Income taxes expenses					
Current		1,932	1,784	4,456	3,528
Deferred		265	2,811	(3,138)	4,073
		2,197	4,595	1,318	7,601
Net earnings		9,431	4,251	11,629	15,748
Net earnings attributable to:					
Owners of the parent		10,736	5,738	17,450	22,493
Non-controlling interests		(1,305)	(1,487)	(5,821)	(6,745)
		9,431	4,251	11,629	15,748
Weighted average number of common shares outstanding (in 000s)	9	132,759	108,567	129,329	108,447
Basic net earnings per share (\$)	9	0.07	0.04	0.10	0.17
Diluted weighted average number of common shares outstanding (in 000s)	9	133,474	109,421	130,049	109,268
Diluted net earnings per share (\$)	9	0.07	0.04	0.10	0.17

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

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Three months ended September 30		Nine months ended September 30	
	2018	2017 (Restated Note 2.2)	2018	2017 (Restated Note 2.2)
Net earnings	9,431	4,251	11,629	15,748
Items of comprehensive income (loss) that will be subsequently reclassified to earnings:				
Foreign exchange loss on translation of self-sustaining foreign subsidiaries	(24,594)	(550)	(19,283)	(448)
Related deferred tax	—	76	205	46
Foreign exchange gain on the designated hedges on the investments in self-sustaining foreign subsidiaries	3,821	274	2,634	464
Related deferred tax	(612)	4	(290)	23
Change in fair value of hedging instruments	(11,525)	7,950	(8,459)	14,262
Related deferred tax	1,695	(2,109)	937	(3,875)
Share of change in fair value of hedging instruments of joint ventures and associates	(8,326)	439	4,548	762
Related deferred tax	1,124	(115)	(2,251)	(200)
Share of non-controlling interests in:				
Foreign exchange (loss) gain on translation of self-sustaining foreign subsidiaries	(16,304)	(42)	(13,689)	154
Foreign exchange gain (loss) on the designated hedges on the investments in self-sustaining foreign subsidiaries	177	(84)	(108)	(175)
Change in fair value of hedging instruments	1,330	438	1,240	1,378
Related deferred tax	(164)	(10)	(139)	(185)
Items of comprehensive income (loss) that will not be subsequently reclassified to earnings:				
Defined benefit plan actuarial losses	(254)	—	(432)	—
Related deferred tax	51	—	86	—
Other comprehensive (loss) income	(53,581)	6,271	(35,001)	12,206
Total comprehensive (loss) income	(44,150)	10,522	(23,372)	27,954
Other comprehensive (loss) income attributable to:				
Owners of the parent	(38,620)	5,969	(22,305)	11,034
Non-controlling interests	(14,961)	302	(12,696)	1,172
	(53,581)	6,271	(35,001)	12,206
Total comprehensive (loss) income attributable to:				
Owners of the parent	(27,884)	11,707	(4,855)	33,527
Non-controlling interests	(16,266)	(1,185)	(18,517)	(5,573)
	(44,150)	10,522	(23,372)	27,954

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

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at		September 30, 2018	December 31, 2017
	Notes		(Restated Note 2.2)
ASSETS			
Current assets			
Cash and cash equivalents		81,112	61,914
Restricted cash and short-term investments		40,943	58,676
Accounts receivable		85,424	87,500
Income tax receivable		732	—
Derivative financial instruments	8	3,995	5,416
Prepaid and others		16,140	8,104
		228,346	221,610
Non-current assets			
Reserve accounts		52,026	49,970
Property, plant and equipment	10	3,750,785	3,188,238
Intangible assets		832,082	654,081
Project development costs		24,295	—
Investments in joint ventures and associates	7	585,861	11,011
Derivative financial instruments	8	13,696	9,558
Deferred tax assets		33,247	11,873
Goodwill		98,278	38,580
Other long-term assets		21,731	5,535
		5,640,347	4,190,456

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

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at		September 30, 2018	December 31, 2017
	Notes		(Restated Note 2.2)
LIABILITIES			
Current liabilities			
Dividends payable to shareholders		24,061	19,406
Accounts payable and other payables		119,814	91,032
Income tax payable		5,103	3,282
Derivative financial instruments	8	14,805	22,749
Current portion of long-term debt	11	121,598	109,875
Current portion of other liabilities		1,153	500
		286,534	246,844
Non-current liabilities			
Derivative financial instruments	8	83,595	54,494
Long-term debt	11	3,606,661	3,043,387
Other liabilities		128,491	79,507
Liability portion of convertible debentures	12	237,942	96,246
Deferred tax liabilities		322,581	216,716
		4,665,804	3,737,194
SHAREHOLDERS' EQUITY			
Common share capital	13	4,273	2,867
Contributed surplus from reduction of capital on common shares	13 c)	1,270,822	939,047
Preferred shares		131,069	131,069
Share-based payment		1,770	1,713
Equity portion of convertible debentures	12	3,976	1,877
Deficit		(740,038)	(648,160)
Accumulated other comprehensive (loss) income		(12,376)	9,929
Equity attributable to owners		659,496	438,342
Non-controlling interests		315,047	14,920
Total shareholders' equity		974,543	453,262
		5,640,347	4,190,456

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

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the nine-month period ended September 30, 2018	Equity attributable to owners								Non-controlling interests	Total shareholders' equity
	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		
Balance January 1, 2018 (Restated Note 2.2)	2,867	939,047	131,069	1,713	1,877	(648,160)	9,929	438,342	14,920	453,262
Net earnings (loss)						17,450		17,450	(5,821)	11,629
Other items of comprehensive loss							(22,305)	(22,305)	(12,696)	(35,001)
Total comprehensive income (loss)	—	—	—	—	—	17,450	(22,305)	(4,855)	(18,517)	(23,372)
Common shares issued on February 6, 2018 (Note 3 a)	330,607							330,607		330,607
Business acquisition (Note 3 a)								—	296,534	296,534
Common shares issued through dividend reinvestment plan	7,656							7,656		7,656
Reduction of capital on common shares (Note 13 c)	(337,785)	337,785						—		—
Share buyback of common shares	(20)	(6,010)				(3,457)		(9,487)		(9,487)
Share-based payment				57				57		57
Equity portion of convertible debentures issued (Net of \$766 of deferred income taxes) (Note 12)					2,099			2,099		2,099
Shares vested - PSP plan	948							948		948
Buyback of non-controlling interests (Note 15 b)						(33,808)		(33,808)	32,108	(1,700)
Investments from non-controlling interests								—	697	697
Dividends declared on common shares						(67,607)		(67,607)		(67,607)
Dividends declared on preferred shares						(4,456)		(4,456)		(4,456)
Distributions to non-controlling interests								—	(10,695)	(10,695)
Balance September 30, 2018	4,273	1,270,822	131,069	1,770	3,976	(740,038)	(12,376)	659,496	315,047	974,543

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

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the nine-month period ended September 30, 2017	Equity attributable to owners							Total	Non-controlling interests	Total shareholders' equity
	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, 2017 (Restated Note 2.2)	162,862	775,413	131,069	2,199	1,877	(597,552)	(1,743)	474,125	14,712	488,837
Net earnings (loss) (Restated Note 2.2)						22,493		22,493	(6,745)	15,748
Other items of comprehensive income							11,034	11,034	1,172	12,206
Total comprehensive income (loss)	—	—	—	—	—	22,493	11,034	33,527	(5,573)	27,954
Common shares issued through dividend reinvestment plan	4,791							4,791		4,791
Reduction of capital on common shares	(166,460)	166,460								
Share-based payment				(410)				(410)		(410)
Common shares options exercised	101			(101)				—		—
Investments from non-controlling interests								—	16,844	16,844
Dividends declared on common shares						(53,701)		(53,701)		(53,701)
Dividends declared on preferred shares						(4,456)		(4,456)		(4,456)
Distributions to non-controlling interests								—	(5,998)	(5,998)
Balance September 30, 2017	1,294	941,873	131,069	1,688	1,877	(633,216)	9,291	453,876	19,985	473,861

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Nine months ended September 30	
		2018	2017 (Restated Note 2.2)
OPERATING ACTIVITIES			
Net earnings		11,629	15,748
Items not affecting cash:			
Depreciation		89,716	68,455
Amortization		32,565	26,497
Share of earnings of joint ventures and associates		(17,117)	(2,931)
Unrealized net loss (gain) on financial instruments		2,293	(3,596)
Inflation compensation interest	5	7,230	2,831
Amortization of financing fees	5	2,523	2,728
Accretion of long-term debt and convertible debentures	5	1,512	1,464
Accretion expenses on other liabilities	5	2,027	1,331
Amortization of below market contracts	6	(1,788)	—
Actuarial loss from pension fund		249	—
Share-based payment		57	(410)
Deferred income taxes		(3,138)	4,073
Others		(289)	650
Interest expense on long-term debt and convertible debentures	5	128,280	97,327
Interest paid		(108,690)	(88,644)
Gain on contingent considerations	6	—	(822)
Distributions received from joint ventures and associates		22,296	2,681
Current income tax expense		4,456	3,528
Net income taxes paid		(4,689)	(1,949)
Effect of exchange rate fluctuations		2,888	1,606
		172,010	130,567
Changes in non-cash operating working capital items	14 a)	(8,789)	(20,744)
		163,221	109,823
FINANCING ACTIVITIES			
Dividends paid on common shares		(55,295)	(48,293)
Dividends paid on preferred shares		(4,456)	(4,456)
Distributions to non-controlling interests		(10,560)	(5,998)
Investments from non-controlling interests		—	16,842
Increase of long-term debt		768,196	516,072
Repayment of long-term debt		(495,759)	(354,071)
Payment of deferred financing costs		(17,096)	(845)
Payment of other liabilities		—	(246)
Net proceeds from issuance of convertible debentures	12	143,090	—
Payment for buyback of common shares		(9,487)	—
		318,633	119,005

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Nine months ended September 30	
		2018	2017 (Restated Note 2.2)
INVESTING ACTIVITIES			
Cash acquired on business acquisitions	3	7,113	5,335
Business acquisitions	3	(251,506)	(153,673)
Decrease of restricted cash and short-term investments		21,031	29,081
Net funds (invested into) withdrawn from the reserve accounts		(2,117)	127
Additions to property, plant and equipment		(99,450)	(93,727)
Additions to intangible assets		(3,449)	—
Additions to project development costs		(1,507)	—
Investment in joint ventures and associates		(131,540)	—
Buyback of non-controlling interests	15 b)	(1,700)	—
Reductions of other long-term assets		362	22
Proceeds from disposal of property, plant and equipment		358	12
		(462,405)	(212,823)
Effects of exchange rate changes on cash and cash equivalents		(251)	(1,059)
Net increase in cash and cash equivalents		19,198	14,946
Cash and cash equivalents, beginning of period		61,914	56,227
Cash and cash equivalents, end of period		81,112	71,173
<i>Cash and cash equivalents is comprised of:</i>			
Cash		80,263	70,399
Short-term investments		849	774
		81,112	71,173

Additional information is presented in Note 14.

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

DESCRIPTION OF BUSINESS

Innergex Renewable Energy Inc. ("Innergex" or the "Corporation") was incorporated under the *Canada Business Corporation Act* on October 25, 2002 and its shares and convertible debentures are listed on the Toronto Stock Exchange. The Corporation is a developer, acquirer, owner and operator of renewable power-generating facilities, essentially focused on the hydroelectric, wind power, geothermal power and solar sectors. The Corporation's head office is located at 1225 St-Charles Street West, 10th floor, Longueuil, Qc, J4K 0B9, Canada.

These unaudited condensed consolidated interim financial statements have neither been audited nor reviewed by the Corporation's independent auditors and were approved by the Board of Directors on November 13, 2018.

The Corporation's revenues are variable with each season and 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. 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 unaudited condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The condensed consolidated interim financial statements are in compliance with IAS 34, Interim Financial Reporting. Except as described below, the same accounting policies and methods of application as described in the Corporation's latest annual report have been used. However, these unaudited condensed consolidated interim 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 unaudited condensed consolidated interim financial statements have been prepared on a historical cost basis, except for certain financial instruments that are measured at fair value as described in the significant accounting policies included in the Corporation's latest annual report.

2. APPLICATION OF IFRS

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

IFRS 2- Share-based Payments

In June 2016, the IASB issued amendments to IFRS 2 Share-based Payments, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after January 1, 2018. The application of the amendments of this standard had no material impact on the amounts reported for the current period.

IFRS 15- Revenue from Contracts with Customers

In May 2014, IASB issued IFRS 15 – Revenue from Contracts with Customers ("IFRS 15"). This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC-31 Revenue-Barter Transactions Involving Advertising Services. IFRS 15 applies to all contracts with customers except those that are within the scope of other IFRSs. IFRS 15 is effective for annual periods commencing on or after January 1, 2018. The application of this standard had no material impact on the amounts reported for the current period.

2.2 Retrospective application of IFRS 9 (2014) Financial Instruments

In July 2014, the IASB issued the complete IFRS 9 (2014), Financial Instruments ("IFRS 9 (2014)"). IFRS 9 (2014) differs in some regards from IFRS 9 (2013) which the Corporation early adopted effective October 1, 2014. IFRS 9 (2014) includes updated guidance on the classification and measurement of financial assets. The final standard also amends the impairment model by introducing a new expected credit loss model for calculating impairment. The mandatory effective date of IFRS 9 (2014) is for annual periods beginning on or after January 1, 2018, and must be applied retrospectively with some exemptions. The application of this standard had an impact on the amounts reported for the current period.

A clarification to IFRS 9 was released in October 2017 related to the treatment of a modification of a financial liability that does not result in the derecognition of the financial liability. The amortized cost of the financial liability is recalculated using the modified cash flows and the original effective interest rate. Any change in the amortized cost is recognized in the statement of earnings on the date of the modification or at the date of the application of IFRS 9 (2014). This change is required to be applied retrospectively.

The following tables show the effects of the retrospective application to the modification of the Montagne-Sèche, L.P. debt in 2014 and the Stardale L.P. debt in 2016 as readjusted in September 2018:

	As presented on January 1, 2017	Application of IFRS 9 (2014)	Restated balance as of January 1, 2017
Long-term debt	2,507,236	(4,922)	2,502,314
Deferred tax liabilities	176,965	1,317	178,282
Deficit	(601,157)	3,605	(597,552)

	As presented on December 31, 2017	Application of IFRS 9 (2014)	Restated balance as of December 31, 2017
Long-term debt	3,047,583	(4,196)	3,043,387
Deferred tax liabilities	215,593	1,123	216,716
Deficit	(651,233)	3,073	(648,160)

	Year ended December 31, 2017	Application of IFRS 9 (2014)	Restated balance for the year ended December 31, 2017
Finance costs	146,766	726	147,492
Deferred income taxes expenses	3,154	(194)	2,960

	Three months ended September 30, 2017	Application of IFRS 9 (2014)	Restated balance for the three months period ended September 30, 2017
Finance costs	38,007	182	38,189
Deferred income taxes expenses	2,860	(49)	2,811

	Nine months ended September 30, 2017	Application of IFRS 9 (2014)	Restated balance for the nine months period ended September 30, 2017
Finance costs	106,368	548	106,916
Deferred income taxes expenses	4,219	(146)	4,073

2.3 IFRS issued but not yet effective

IFRS 16 Leases (IFRS 16)

On January 13, 2016, the IASB issued IFRS 16 that provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It supersedes IAS 17 Leases and its associated interpretive guidance. Significant changes were made to lessee accounting with the distinction between operating and finance leases removed and assets and liabilities recognized in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). In contrast, IFRS 16 does not include significant changes to the requirements for lessors. IFRS 16 is effective January 1, 2019, with earlier application permitted. The Corporation is currently evaluating the impact of the standard on its consolidated financial statements. Identification of the leases to which this standard might apply is ongoing. The Corporation intends to apply this standard retrospectively from January 1, 2019 without restating the figures for the comparative periods (modified retrospective approach). Based on information collected from preliminary assessments, the Corporation expects that land leases will bear the most impact due to their volume, primarily in the wind power generation segment.

Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)

On October 12, 2017, the IASB has published Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28) to clarify that an entity applies IFRS 9 'Financial Instruments' to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. The amendments are effective for periods beginning on or after 1 January 2019. The application of this standard is not expected to have an impact for the Corporation.

3. BUSINESS ACQUISITIONS

a. Acquisition of Alterra Power Corp

On February 6, 2018, Innergex acquired all of the issued and outstanding common shares of Alterra Power Corp ("Alterra").

The Innergex common shares issuable to Alterra shareholders with the transaction represent an ownership of approximately 18% of the combined corporation. One member of the Board of Directors of Alterra joined the Board of Directors of Innergex at the closing of the transaction.

The total purchase price of \$450,865 for Alterra was comprised of a cash consideration of \$120,258 and the issuance of 24,327,225 common shares of the Corporation at a price of \$13.59, for a value of \$330,607.

Alterra and its subsidiaries are engaged in the development, construction and operation of renewable energy projects. As at February 6, 2018, Alterra's operating facilities consisted of a 53.9% net interest in two geothermal power plants in Iceland ("Svartsengi" and "Reykjanes"), and a 30% interest in Blue Lagoon, which operates the Blue Lagoon geothermal spa in Iceland ("Blue Lagoon"). It also consisted of a 40% net interest in two run of river hydro power plants ("Toba Montrose"), a 25.5% net interest in a wind farm ("Dokie"), a 51% net interest in a run of river hydro power plant ("Jimmie Creek") in British Columbia, a 50% net interest in the sponsor equity of a wind farm ("Shannon") located in Texas, a 90% net interest in the sponsor equity of a solar project ("Kokomo") located in Indiana and a 100% net interest in the sponsor equity of a solar project ("Spartan") located in Michigan.

Additional cash flows generated from the assets acquired are expected to further increase the Corporation's liquidity and flexibility to fund the development of future projects. The Alterra acquisition added an additional gross installed capacity of 2,896 MW to the Corporation's portfolio.

The following table reflects the preliminary acquisition accounting and the fair value of the net assets acquired:

	Preliminary acquisition accounting	Subsequent adjustments	Adjusted preliminary acquisition accounting
Cash and cash equivalents	7,113		7,113
Restricted cash and short-term investments	4,213		4,213
Accounts receivable	17,774		17,774
Prepaid and others	3,895		3,895
Property, plant and equipment	487,607	(1,041)	486,566
Intangible assets	191,548	20,856	212,404
Project development costs	39,304	(19,815)	19,489
Investments in joint ventures and associates	430,709		430,709
Goodwill	59,923		59,923
Other long term assets	16,281		16,281
Accounts payable and other payables	(39,610)		(39,610)
Long-term debt	(305,045)		(305,045)
Derivative financial instruments	(31,194)		(31,194)
Other liabilities	(48,168)		(48,168)
Deferred tax liabilities	(86,951)		(86,951)
Non controlling interests	(296,534)		(296,534)
Net assets acquired	450,865	—	450,865

The acquisition accounting remains subject to the completion of the valuation of the assets and liabilities acquired.

The transaction costs relating to this acquisition have been expensed in accordance with IFRS 3 (see note 6).

If the acquisition had taken place on January 1, 2018, the consolidated revenues and net loss for the nine-month period ended September 30, 2018 would have been \$419,595 and \$10,962 respectively.

The amounts of revenues and net loss of the facilities since February 6, 2018 included in the consolidated statement of earnings are \$67,292 and \$945 respectively for the 237 days ended September 30, 2018.

b. Acquisition of assets of Phoebe

On July 2, 2018, Innergex acquired a 250 MW_{AC}/315 MW_{DC} photovoltaic solar project located in Winkler County, Texas. Full notice to proceed with construction was also issued on July 2, 2018 and commercial operation should be reached in the third quarter of 2019. The project is also eligible to receive a federal Investment Tax Credit (ITC) equal to approximately 30% of the project's capital costs. The ITC will be mostly allocated to the Tax Equity Investor. The Phoebe project will sell 100% of its output to the ERCOT power grid and receive a fixed price on 89% of its energy produced under a 12-year power purchase agreement.

The total purchase price for Phoebe was US\$100,191 (\$131,791) and was comprised entirely of cash consideration.

Total construction costs are estimated at US\$397,000 (\$524,000) and will be partly financed in priority through a US\$115,864 construction loan and a US\$176,225 tax equity bridge loan. The construction loan will be replaced by a term loan and the tax equity bridge loan will be retired by equity funding from the Tax Equity Investor upon completion of certain project milestones. A subsidiary of Innergex issued a letter of credit for an amount of US\$212,000 in support of its obligations under these financing agreements.

Additional cash flows generated from the assets acquired are expected to further increase the Corporation's liquidity and flexibility to fund the development of future projects.

The following table reflects the preliminary acquisition accounting and the fair value of the net assets acquired:

	Assets acquired	
	US	\$
Property, plant and equipment	84,043	110,550
Derivative financial instruments	16,148	21,241
Total assets acquired	100,191	131,791

The Corporation determined that at the acquisition date Phoebe constituted a group of assets, rather than a business as defined in IFRS 3 and has accounted for the acquisition as an asset acquisition.

c. Acquisition of Rougemont 1-2 and Vaite wind facilities

The Corporation completed the allocation of the purchase price in the second quarter of 2018 for the Rougemont 1-2 and Vaite wind facilities that were acquired on May 24, 2017. The adjustments made resulted in an increase to intangible assets and long-term debt of €4,294.

d. Acquisition of Plan Fleury and Les Renardières wind facilities

The Corporation completed the allocation of the purchase price for the Plan Fleury and Les Renardières wind facilities that were acquired on August 25, 2017. The adjustments made resulted in an increase to intangible assets and long-term debt, and a decrease in goodwill and deferred tax liabilities. In total, an adjustment of €361 (\$543) has been made to the purchase price.

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

	Adjusted Preliminary purchase price allocation previously disclosed	Subsequent adjustments	Final purchase price allocation	
	€	€	€	\$
Cash and cash equivalents	186		186	278
Restricted cash and short term investments	19,639		19,639	29,322
Accounts receivable	13,123		13,123	19,595
Prepaid and others	168		168	250
Property, plant and equipment	67,579		67,579	100,903
Intangible assets	26,454	763	27,217	40,739
Goodwill	7,772	(107)	7,665	11,443
Accounts payable and other payables	(24,690)		(24,690)	(36,865)
Long-term debt	(75,107)	(1,124)	(76,231)	(113,926)
Deferred tax liabilities	(7,772)	107	(7,665)	(11,443)
Net assets acquired	27,352	(361)	26,991	40,296

4. OPERATING EXPENSES

	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Salaries	1,498	1,351	4,175	3,872
Insurance	1,334	1,253	3,604	3,058
Operation and maintenance	25,428	7,756	68,832	20,364
Property taxes and royalties	8,374	7,732	23,445	24,102
	36,634	18,092	100,056	51,396

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 September 30		Nine months ended September 30	
	2018	2017	2018	2017
		Restated (Note 2.2)		Restated (Note 2.2)
Interest expense on long-term debt and on convertible debentures	44,201	35,509	128,280	97,327
Inflation compensation interest	2,112	—	7,230	2,831
Amortization of financing fees	496	1,099	2,523	2,728
Accretion of long-term debt and convertible debentures	261	330	1,512	1,464
Accretion expenses on other liabilities	807	851	2,027	1,331
Others	580	400	1,994	1,235
	48,457	38,189	143,566	106,916

6. OTHER NET EXPENSES (REVENUES)

	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Transaction costs	727	825	6,898	2,482
Realized loss (gain) on derivative financial instruments	4	—	(822)	—
Realized loss (gain) on foreign exchange	3,372	(479)	3,890	(712)
Loss (gain) on contingent considerations	—	49	—	(822)
Other net revenues	(848)	(523)	(2,284)	(1,837)
(Gain) loss on disposal of property, plant and equipment	(82)	874	240	863
Amortization of below market contract	(654)	—	(1,788)	—
	2,519	746	6,134	(26)

7. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

7.1 Details of material joint ventures and associates

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

Associates are those entities in which the Corporation has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Corporation holds between 20% and 50% of the voting power of another entity.

The determination of whether the Company has control or significant influence over an investee requires the Company to make assumptions and critical judgments in evaluating the classification requirements.

Joint ventures and associates are accounted for using the equity method in these consolidated financial statements.

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

Joint ventures and associates	Principal activity	Place of creation and principal place of operation	Proportion of ownership interest and voting rights held by the Corporation	
			September 30, 2018	December 31, 2017
Energia Llaima	Own and operate three hydroelectric facilities and a solar facility	Chile	50%	—
Toba Montrose	Own and operate two hydroelectric facilities	British Columbia	40%	—
Shannon	Own and operate a wind farm	Texas	50% ¹	—
Flat Top	Own and operate a wind farm	Texas	51% ¹	—
Dokie	Own and operate a wind farm	British Columbia	25.5%	—
Jimmie Creek	Own and operate a hydroelectric facility	British Columbia	50.99%	—
Umbata Falls	Own and operate a hydroelectric facility	Ontario	49%	49%
Viger-Denonville	Own and operate a wind farm	Québec	50%	50%
Spartan	Own and operate a solar facility	Michigan	100% ¹	—
Kokomo	Own and operate a solar facility	Indiana	90% ¹	—
Blue Lagoon	Own and operate a geothermal spa	Iceland	30% ²	—

1. Ownership interest is in the sponsor equity of Shannon, Flat Top, Spartan and Kokomo, however, tax equity partners hold 100% of the tax equity interests.

2. Ownership interest is through HS Orka hf. (which the Corporation owns 53.9%), which owns a 30% interest in the Blue Lagoon

Carrying amounts of the investments in joint ventures and associates Joint ventures and associates	As at	
	September 30, 2018	December 31, 2017
Energia Llaima	141,387	—
Toba Montrose	85,149	—
Shannon	66,349	—
Flat Top	80,404	—
Dokie	23,204	—
Jimmie Creek	40,164	—
Umbata Falls	9,151	9,688
Viger-Denonville	1,628	1,271
Spartan	2,962	—
Kokomo	1,906	—
Blue Lagoon	133,529	—
Others	28	52
	585,861	11,011

The summarized financial information below represents amounts shown in the joint ventures' and associates' financial statements prepared in accordance with IFRS.

Energia Llaima

On July 3, 2018, Innergex acquired a 50% ownership in Energia Llaima, which owns interest in the Guyacán hydro facility (12 MW) and the Pampa Elvira solar facility (34 MW). Energia Llaima also owns interest in two hydro facilities in development (125 MW) and other early development stage projects. Innergex invested an initial amount of US \$10,000 (\$13,154) through available funds under its corporate revolving credit facilities and has agreed to invest an additional US\$100,000 (\$131,540) over a 12-month period, of which US\$90,000 was invested for the acquisition of the Duqueco hydro project.

On July 5, 2018, Innergex and Energia Llaima completed the acquisition of the 140 MW Duqueco hydro project in Chile. The Duqueco hydro project includes two hydro facilities commissioned in 2001, Peuchén (85 MW) and Mampil (55 MW).

Summary Statements of Earnings and Comprehensive Income (Loss)

	Period of 89 days ended September 30, 2018
Revenues	12,677
Operating, general and administrative expenses	7,810
	4,867
Finance costs	5,855
Other net revenues	(686)
Depreciation and amortization	2,455
Recovery of tax expenses	(726)
Net loss and comprehensive loss	(2,030)

Summary Statement of Financial Position

	As at September 30, 2018
Cash and cash equivalents	21,294
Other current assets	32,571
Current assets	53,865
Non-current assets	544,082
	597,947
Accounts payable and other payables	1,965
Other current liabilities	13,001
Current liabilities	14,966
Non-current liabilities	234,573
Equity attributable to owners of Energia Llaima	282,774
Non-controlling interests	65,634
	597,947

On July 5, 2018, Duquenco SpA closed a US\$130,000 non-recourse term loan project financing for the Duquenco SpA hydroelectric projects. The 15-year term loan bears a variable interest rate at LIBOR+3.50%. US\$60,600 will be amortized over the period of the loan and US\$69,400 will be reimbursed at maturity in 2033. The annual scheduled debt repayment will be increased by a cash flow sweep calculated as follows: 50% of the available cash flow for the years ending in 2019 to 2021, 30% of the available cash flow for the following years.

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

As at	September 30, 2018
Equity attributable to owners of Energia Llaima	282,774
Proportion of the Corporation's ownership interest in Energia Llaima	50%
Carrying amount of the Corporation's interest in Energia Llaima	141,387

Toba Montrose

The Corporation holds a 51% voting interest and a 40% participating economic interest in East Toba and Montrose Creek hydro facilities ("Toba Montrose"). In 2046, the Corporation's economic interest will increase to 51% for no additional consideration and its partner's economic interest will decrease from 60% to 49%.

Summary Statements of Earnings and Comprehensive Income (Loss)

	Three months ended September 30, 2018	Period of 237 days ended September 30, 2018
Revenues	37,840	58,157
Operating, general and administrative expenses	5,329	10,950
	32,511	47,207
Finance costs	7,037	18,266
Other net revenues	(151)	(338)
Depreciation and amortization	4,227	11,275
Unrealized net loss (gain) on financial instruments	196	(365)
Net earnings	21,202	18,369
Other comprehensive income	3,838	1,522
Total comprehensive income	25,040	19,891
Distributions received from the joint venture by the Corporation	7,000	7,000

Summary Statement of Financial Position

As at	September 30, 2018
Cash and cash equivalents	5,173
Other current assets	26,444
Current assets	31,617
Non-current assets	671,351
	702,968
Accounts payable and other payables	6,218
Other current liabilities	8,438
Current liabilities	14,656
Non-current liabilities	475,440
Partner's equity	212,872
	702,968

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

As at	September 30, 2018
Net assets of the joint venture	212,872
Proportion of the Corporation's ownership interest in the joint venture	40%
Carrying amount of the Corporation's interest in the joint venture	85,149

Toba Montrose's Debt

At the date of the acquisition of Alterra, Toba Montrose had total loan facilities of \$436,589.

The debt consists of two credit facilities which were entered into on November 8, 2007. The first is a \$370,000, 38-year senior secured credit facility with a fixed interest rate to correspond with the three-year construction period and a repayment period over the 35-year term of the project's PPA with BC Hydro. The interest rate on this credit facility is 6.173% per annum. The second credit facility is a \$100,000, 38-year senior secured credit facility with a floating interest rate, to correspond with the three-year construction period and a repayment period over the 35-year term of the project's PPA with BC Hydro. The floating interest rate on this credit facility is based on three-month Bankers' Acceptance Rates plus a credit spread of 1.60% per annum. The principal repayments for both debts are set to \$6,226 for the twelve-month period following acquisition.

Toba Montrose holds an interest rate swap contract which provides for quarterly settlements from November 1, 2010 to June 30, 2045. Pursuant to the interest rate swap agreement, Toba Montrose will receive interest on a notional amount at the three-month Bankers' Acceptance Rate from the counterparty and will pay interest on the notional amount at an interest rate of 5.341% per annum. The notional amount is \$92,699 at September 30, 2018 and is reduced in amounts based on the scheduled principal repayments on the floating rate facility over the life of the interest rate swap.

Toba Montrose is subject to certain covenants regarding its loan agreements and as at September 30, 2018 was in compliance with all debt covenants.

Shannon

The Corporation holds a 50% sponsor equity interest in the Shannon wind facility, with the remaining 50% sponsor equity interest and tax equity interest held by third parties.

Summary Statements of Earnings and Comprehensive Income (Loss)

	Three months ended September 30, 2018	Period of 237 days ended September 30, 2018
Revenues	3,112	9,667
Operating, general and administrative expenses	2,129	6,028
	983	3,639
Finance costs	167	434
Other net expenses (revenues)	25	(759)
Depreciation and amortization	2,500	6,452
Unrealized net loss on financial instruments	1,780	2,158
Net loss	(3,489)	(4,646)
Other comprehensive income	5,384	14,390
Total comprehensive income	1,895	9,744
Net loss attributable to:		
Tax equity investors	(3,765)	(8,692)
Sponsors:		
Innergex	138	2,023
Other sponsor	138	2,023
	(3,489)	(4,646)
Total comprehensive (loss) income attributable to:		
Tax equity investors	(2,827)	(8,418)
Sponsors:		
Innergex	2,361	9,081
Other sponsor	2,361	9,081
	1,895	9,744
Distributions received from the joint venture by the Corporation	583	2,128

On June 29, 2015 Shannon entered into a long-term power hedge covering the period from June 1, 2016 to May 31, 2029. The power hedge provides for Shannon to receive a fixed dollar per MWh for a fixed quantity of power. The other comprehensive loss consists solely of the effective portion of changes in the fair value of the power hedge.

Summary Statement of Financial Position

As at	September 30, 2018
Cash and cash equivalents	2,879
Other current assets	3,498
Current assets	6,377
Non-current assets	369,427
	375,804
Accounts payable and other payables	9,863
Other current liabilities	3,730
Current liabilities	13,593
Non-current liabilities	10,595
Tax equity interest	218,919
Sponsors equity interest	132,697
	375,804

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

As at	September 30, 2018
Net assets of the joint venture attributable to sponsors	132,697
Proportion of the Corporation's ownership interest in the joint venture	50%
Carrying amount of the Corporation's interest in the joint venture	66,349

The results of Shannon are calculated in accordance with the hypothetical liquidation at book value ("HLBV") method which allocates earnings or losses by measuring the distribution amounts that would be due to the members (investors) in a hypothetical liquidation of the entity at the net book value of the underlying assets. The HLBV method is consistent with accounting guidance which prescribes using this method for allocations where disproportionate allocations of cash and tax attributes occur and is the method that most appropriately reflects how an increase or decrease in net assets of the venture will affect cash payments to investors (both sponsors and tax equity investors) over the life of the venture and upon its liquidation.

One of the primary incentives for renewable energy in the United States has been the production tax credits program ("PTC"), whereby corporations that generate electricity from renewable energy sources, including wind, are eligible for tax credits which provide a tax benefit for each unit of generation for the first ten years of the facility's operation (until 2025). The Shannon tax equity investors are allocated a portion of Shannon's taxable income (losses) and PTCs and a portion of the cash generated until they achieve an agreed after-tax investment return (the "Flip Point"). After the Flip Point, the Shannon tax equity investors will be allocated 5% of cash distributions and taxable income (losses), and the sponsors will be allocated 95% of all cash distributions and taxable income (losses).

For the three-month period ended September 30, 2018 and the period from February 6, 2018 to September 30, 2018, the wind facility generated approximately \$3,811 and \$13,704 of PTCs.

The Tax Equity Investors and Sponsors' taxable income (losses) and PTCs and cash distributions allocations are detailed in the table below. These allocations will change when the Tax Equity Investors reach their expected return.

	Tax Equity Investors	Sponsors
Taxable income (losses) and PTCs	99.0%	1.0%
Cash distributions	64.1%	35.9%

Tax equity investors in US wind projects generally require sponsor guaranties as a condition to their investment. To support the tax equity investment in Shannon, Alterra Power Corp, a subsidiary of Innergex, executed a guarantee indemnifying the tax equity investors against certain breaches of project level representations, warranties and

covenants and other events. The Corporation believes these indemnifications cover matters which are substantially under its control, and are very unlikely to occur.

Flat Top

The Corporation holds a 51% sponsor equity interest in the Flat Top wind facility, with the remaining 49% sponsor equity interest and tax equity interest held by third parties. The wind farm began commercial operation on March 23, 2018.

Summary Statements of Earnings and Comprehensive Income (Loss)

	Three months ended September 30, 2018	Period of 237 days ended September 30, 2018
Revenues	4,658	10,057
Operating, general and administrative expenses	2,875	6,503
	1,783	3,554
Finance costs	170	218
Other net expenses	95	89
Depreciation and amortization	3,485	7,021
Unrealized net (gain) loss on financial instruments	(235)	3,824
Net loss	(1,732)	(7,598)
Other comprehensive (loss) income	(6,754)	11,853
Total comprehensive (loss) income	(8,486)	4,255
Net loss attributable to:		
Tax equity investors	(220)	(1,865)
Sponsors:		
Innergex	(771)	(2,924)
Other sponsor	(741)	(2,809)
	(1,732)	(7,598)
Total comprehensive income (loss) attributable to:		
Tax equity investors	12,563	14,696
Sponsors:		
Innergex	(10,735)	(6,251)
Other sponsor	(10,314)	(4,190)
	(8,486)	4,255
Distributions received from the joint venture by the Corporation	1,191	1,749

On May 24, 2017 Flat Top entered into a long-term power hedge covering the period from August 1, 2018 to July 31, 2031. The power hedge provides for Flat Top to receive a fixed dollar per MWh for a fixed quantity of power. The other comprehensive income consists solely of the effective portion of changes in the fair value of the power hedge.

Summary Statement of Financial Position

As at	September 30, 2018
Cash and cash equivalents	2,801
Other current assets	8,926
Current assets	11,727
Non-current assets	466,250
	477,977
Accounts payable and other payables	10,422
Other current liabilities	8,673
Current liabilities	19,095
Non-current liabilities	11,933
Tax equity interest	289,294
Sponsors equity interest	157,655
	477,977

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

As at	September 30, 2018
Net assets of the joint venture attributable to sponsors	157,655
Proportion of the Corporation's ownership interest in the joint venture	51%
Carrying amount of the Corporation's interest in the joint venture	80,404

As of the date of the acquisition of Alterra, Flat Top had total construction loan of US\$211,082.

On March 23, 2018, Flat Top achieved commercial operations and concurrently Flat Top's US\$216,678 construction loan was retired by a US\$211,300 tax equity investment, a US\$2,902 security deposit placed by Alterra on July 19, 2017 for future capital contributions and further capital contributions from the other sponsor.

The results of Flat Top are calculated in accordance with the HLBV method.

Flat Top is part of the PTC program in the United States which provide a tax benefit for each unit of generation for the first ten years of the facility's operation (until 2028). The Flat Top tax equity investors are allocated a portion of Flat Top's taxable income (losses) and PTCs and a portion of the cash generated until they achieve an agreed after-tax investment return (the "Flip Point"). After the Flip Point, the Flat Top tax equity investors will be allocated 5% of cash distributions and taxable income (losses), and the sponsors will be allocated 95% of all cash distributions and taxable income (losses).

For the three-month period ended September 30, 2018 and the period from March 23, 2018 to September 30, 2018, the wind facility generated approximately \$4,875 and \$12,538 of PTCs respectively.

The Tax Equity Investors and Sponsors' taxable income (losses) and PTCs and cash distributions allocations are detailed in the table below. These allocations will change when the Tax Equity Investors reach their expected return.

	Tax Equity Investors	Sponsors
Taxable income (losses) and PTCs	99.00%	1.00%
Cash distributions	21.97%	78.03%

Tax equity investors in US wind projects generally require sponsor guaranties as a condition to their investment. To support the tax equity investment in Flat Top, Alterra Power Corp, a subsidiary of Innergex, executed a guarantee indemnifying the tax equity investors against certain breaches of project level representations, warranties and covenants and other events. The Corporation believes these indemnifications cover matters which are substantially under its control, and are very unlikely to occur.

Dokie

The Corporation holds a 25.5% interest in the Dokie wind facility.

Summary Statements of Earnings and Comprehensive Income (Loss)

	Three months ended September 30, 2018	Period of 237 days ended September 30, 2018
Revenues	6,233	18,348
Operating, general and administrative expenses	2,067	5,388
	4,166	12,960
Finance costs	2,675	7,276
Other net expenses	277	202
Depreciation and amortization	3,143	8,025
Net loss and comprehensive loss	(1,929)	(2,543)
Distributions received from the joint venture by the Corporation	510	510

Summary Statement of Financial Position

As at	September 30, 2018
Cash and cash equivalents	2,382
Other current assets	4,778
Current assets	7,160
Non-current assets	230,384
	237,544
Accounts payable and other payables	708
Other current liabilities	7,351
Current liabilities	8,059
Non-current liabilities	138,490
Partner's equity	90,995
	237,544

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

As at	September 30, 2018
Net assets of the joint venture	90,995
Proportion of the Corporation's ownership interest in the joint venture	25.5%
Carrying amount of the Corporation's interest in the joint venture	23,204

Dokie's Debt

As of the date of the acquisition of Alterra, Dokie had total loan facilities of \$149,265.

Dokie executed a credit agreement on December 7, 2009 for a \$175,000 loan with an annual fixed interest rate of 7.243% and a maturity date of December 31, 2030. The principal repayments are set to \$7,358 for the twelve-month period following acquisition.

Dokie is subject to certain covenants regarding its loan agreements and as at September 30, 2018 was in compliance with all debt covenants.

Jimmie Creek

The Corporation holds a 50.99% interest in the Jimmie Creek hydro facility.

Summary Statements of Earnings and Comprehensive Income (Loss)

	Three months ended September 30, 2018	Period of 237 days ended September 30, 2018
Revenues	12,297	16,798
Operating, general and administrative expenses	1,046	2,298
	11,251	14,500
Finance costs	2,356	6,291
Other net expenses	31	133
Depreciation and amortization	1,179	3,202
Net earnings and comprehensive income	7,685	4,874

Summary Statement of Financial Position

As at	September 30, 2018
Cash and cash equivalents	2,900
Other current assets	10,949
Current assets	13,849
Non-current assets	232,818
	246,667
Accounts payable and other payables	1,010
Other current liabilities	925
Current liabilities	1,935
Non-current liabilities	165,965
Partner's equity	78,767
	246,667

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

As at	September 30, 2018
Net assets of the joint venture	78,767
Proportion of the Corporation's ownership interest in the joint venture	50.99%
Carrying amount of the Corporation's interest in the joint venture	40,164

Jimmie Creek's Debt

As of the date of the acquisition of Alterra, Jimmie Creek had total loan facilities of \$167,558.

Jimmie Creek executed a credit agreement in October 2014 for a \$176,450, 42-year senior secured credit facility at a fixed interest rate, which corresponded with the two-year construction period, and a repayment period over the 40-year term (plus final 10% bullet payment due on maturity) of the Jimmie Creek project's PPA with BC Hydro. The annual interest rate on the loan is fixed at 5.255%. The principal repayments are set to \$741 for the twelve-month period following acquisition.

Jimmie Creek is subject to certain covenants regarding its loan agreements and as at September 30, 2018 was in compliance with all debt covenants.

Umbata Falls

The Corporation holds a 49% interest in the Umbata Falls hydro facility.

Summary Statements of Earnings and Comprehensive Income (Loss)

	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Revenues	1,439	1,205	6,029	7,771
Operating, general and administrative expenses	197	225	661	676
	1,242	980	5,368	7,095
Finance costs	561	597	1,696	1,805
Other net revenues	(21)	(12)	(60)	(30)
Depreciation and amortization	1,003	1,004	3,009	3,013
Unrealized net gain on financial instruments	(933)	(1,080)	(1,620)	(1,859)
Net earnings and comprehensive income	632	471	2,343	4,166
Distributions received from the joint venture by the Corporation	884	1,020	1,685	1,728

Summary Statements of Financial Position

As at	September 30, 2018	December 31, 2017
Cash and cash equivalents	819	1,620
Other current assets	786	1,930
Current assets	1,605	3,550
Non-current assets	57,859	60,658
	59,464	64,208
Accounts payable and other payables	79	198
Other current liabilities	2,448	3,314
Current liabilities	2,527	3,512
Non-current liabilities	38,262	40,924
Partner's equity	18,675	19,772
	59,464	64,208

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

As at	September 30, 2018	December 31, 2017
Net assets of the joint venture	18,675	19,772
Proportion of the Corporation's ownership interest in the joint venture	49%	49%
Carrying amount of the Corporation's interest in the joint venture	9,151	9,688

Viger-Denonville

The Corporation holds a 50% interest in the Viger-Denonville wind facility.

Summary Statements of Earnings and Comprehensive Income (Loss)

	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Revenues	2,389	2,125	8,399	7,372
Operating, general and administrative expenses	498	428	1,508	1,375
	1,891	1,697	6,891	5,997
Finance costs	825	858	2,485	2,599
Other net revenues	(18)	(10)	(52)	(27)
Depreciation and amortization	627	730	1,881	2,189
Unrealized net gain on financial instruments	(161)	(209)	(487)	(544)
Net earnings	618	328	3,064	1,780
Other comprehensive income	681	877	1,025	1,395
Total comprehensive income	1,299	1,205	4,089	3,175
Distributions received from the joint venture by the Corporation	600	400	1,688	953

Summary Statements of Financial Position

As at	September 30, 2018	December 31, 2017
Cash and cash equivalents	1,098	1,760
Other current assets	937	1,245
Current assets	2,035	3,005
Non-current assets	51,786	53,812
	53,821	56,817
Accounts payable and other payables	569	744
Other current liabilities	3,373	3,611
Current liabilities	3,942	4,355
Non-current liabilities	46,623	49,920
Partner's equity	3,256	2,542
	53,821	56,817

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

As at	September 30, 2018	December 31, 2017
Net assets of the joint venture	3,256	2,542
Proportion of the Corporation's ownership interest in the joint venture	50%	50%
Carrying amount of the Corporation's interest in the joint venture	1,628	1,271

Spartan

The Corporation owns 100% of the sponsor equity interest in the Spartan solar facility while the tax equity interest is owned by a third party.

Summary Statements of Earnings and Comprehensive Income (Loss)

	Three months ended September 30, 2018	Period of 237 days ended September 30, 2018
Revenues	698	1,585
Operating, general and administrative expenses	105	247
	593	1,338
Finance costs	216	546
Other net expenses	—	142
Depreciation and amortization	343	910
Unrealized net gain on financial instruments	—	(1)
Net earnings (loss)	34	(259)
Other comprehensive income	84	443
Total comprehensive income	118	184
Net earnings (loss) attributable to:		
Tax equity investor	40	(58)
Sponsor	(6)	(201)
	34	(259)
Total comprehensive income (loss) attributable to:		
Tax equity investor	124	382
Sponsor	(6)	(198)
	118	184

Summary Statement of Financial Position

As at	September 30, 2018
Cash and cash equivalents	496
Other current assets	554
Current assets	1,050
Non-current assets	26,778
	27,828
Accounts payable and other payables	217
Other current liabilities	460
Current liabilities	677
Non-current liabilities	11,657
Tax equity interest	12,532
Sponsor equity interest	2,962
	27,828

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

As at	September 30, 2018
Net assets of the joint venture attributable to sponsor	2,962
Proportion of the Corporation's ownership interest in the joint venture	100%
Carrying amount of the Corporation's interest in the joint venture	2,962

As of the date of the acquisition of Alterra, Spartan had total loan facilities of US\$10,029.

On December 22, 2017, Spartan entered into a US\$10,200, 6 year senior secured term loan with a floating interest rate and a balloon payment based on a 6 year maturity and 20 year amortization. The floating interest rate is based on three month LIBOR plus a spread of 3.5% per annum. Concurrently, Spartan entered into an interest rate swap contract for the estimated operating term to effectively fix the interest rates on the term loan. Pursuant to the interest rate swap agreement, Spartan will receive interest on a notional amount at the three month LIBOR plus a spread of 3.5% per annum from the counterparty and will pay interest on the notional amount at an interest rate of 5.81% per annum. The notional amount is US\$9,825 as at September 30, 2018 and is reduced in amounts based on the scheduled principal repayments on the term loan agreement over the life of the interest rate swap.

The principal repayments are set to US\$379 for the twelve-month period following acquisition.

Spartan is subject to certain covenants regarding its loan agreements and as at September 30, 2018 was in compliance with all debt covenants.

Kokomo

The Corporation holds a 90% sponsor equity interest in the Kokomo solar facility, with the remaining 10% sponsor equity interest and tax equity interest held by third parties.

Summary Statements of Earnings and Comprehensive Income (Loss)

	Three months ended September 30, 2018	Period of 237 days ended September 30, 2018
Revenues	295	683
Operating, general and administrative expenses	61	146
	234	537
Finance costs	95	251
Other net expenses	4	23
Depreciation and amortization	168	442
Net loss	(33)	(179)
Other comprehensive income	46	235
Total comprehensive income	13	56
Net loss attributable to:		
Tax equity investor	(13)	(85)
Sponsors	(20)	(94)
	(33)	(179)
Total comprehensive income (loss) attributable to:		
Tax equity investor	31	146
Sponsors	(18)	(90)
	13	56

Summary Statement of Financial Position

As at	September 30, 2018
Cash and cash equivalents	110
Other current assets	36
Current assets	146
Non-current assets	12,270
	12,416
Accounts payable and other payables	332
Other current liabilities	249
Current liabilities	581
Non-current liabilities	4,923
Tax equity interest	4,794
Sponsors equity interest	2,118
	12,416

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

As at	September 30, 2018
Net assets of the joint venture attributable to sponsors	2,118
Proportion of the Corporation's ownership interest in the joint venture	90%
Carrying amount of the Corporation's interest in the joint venture	1,906

As of the date of the acquisition of Alterra, Kokomo had total loan facilities of US\$4,489.

On December 30, 2016, Kokomo entered into a US\$5,000, 10 year senior secured term loan with a floating interest rate and a balloon payment based on a 10 year maturity and a 18 year amortization. The floating interest rate is based on three month LIBOR plus a spread of 3.5% per annum. Concurrently, Kokomo entered into an interest rate swap contract for the estimated operating term to effectively fix the interest rates on the term loan.

Pursuant to the interest rate swap agreement, Kokomo will receive interest on a notional amount at three month LIBOR plus a spread of 3.5% per annum from the counterparty and will pay interest on the notional amount at the interest rate of 5.35% per annum. The notional amount is US\$4,572 as at September 30, 2018 and is reduced in amounts based on the scheduled principal repayments on the term loan agreement over the life of the interest rate swap.

The principal repayments are set to US\$226 for the twelve-month period following acquisition.

Kokomo is subject to certain covenants regarding its loan agreements and as at September 30, 2018 was in compliance with all debt covenants.

Blue Lagoon

HS Orka hf ("HS Orka"), holds a 30% interest in Blue Lagoon hf, which operates the Blue Lagoon geothermal spa in Iceland.

Reconciliation of the carrying amount of the interest in the associate recognized in the consolidated financial statements:

As at	September 30, 2018
Opening Balance, January 1, 2018	—
Preliminary fair value pursuant to acquisition of Alterra	141,135
Share of comprehensive income	7,127
Distributions received	(7,557)
Foreign exchange	(7,176)
Ending Balance, September 30, 2018	133,529

7.2 Commitments of joint ventures and associates acquired during the year

As at September 30, 2018, the Corporation's share of the expected schedule of commitment payments for joint ventures and associates acquired during the year are as follows:

Years of	Wind Power Generation
2018 (3 months)	1,542
2019	7,073
2020	7,073
2021	7,073
2022	7,073
Thereafter	95,260
Total	125,094

8. DERIVATIVE FINANCIAL INSTRUMENTS

As part of the acquisition of Alterra, the Corporation acquired HS Orka which has two power purchase agreements that have embedded derivatives that are accounted for separately from the host contracts. HS Orka signed power sales agreements on power supply until the year 2026 and the sale of power until the year 2019. Payments under the agreements are made in USD and are linked to the price of aluminum. These long-term power sales agreements feature embedded derivatives, the value of which is adjusted upon changes in the future price of aluminum. In evaluating the value of embedded derivatives, generally accepted valuation methods are applied, as the market value is not available. The fair value is based on Level 2 valuation techniques. The fair value of the embedded derivatives are calculated on the basis of the forward price of aluminum. The expected present value of cash flows based on the reporting date is calculated on the basis of the registered forward price of aluminum on the London Metal Exchange (LME) over the remaining lifetime of the contracts. The embedded derivatives are recorded at fair value at inception and at each subsequent reporting period based on the expected present value of cash flows. The fair value change of the embedded derivatives is recognized in earnings or loss. When calculating the present value, the discount rate the Corporation uses is based on the current government yield curve for US sovereign strips plus applicable counterparty risk spread which is calculated based on the credit rating of the counterparty.

Alterra holds hedge agreements to mitigate the risk of fluctuations in the interest rates on its long-term debts. The fair value is based on Level 2 valuation techniques. Hedge accounting is applied on these contracts.

On July 3, 2018, the Corporation entered into two US\$ denominated hedge agreements to mitigate the risk of fluctuations in the interest rates on its long-term debts following the Phoebe acquisition. The fair value is based on Level 2 valuation techniques. Hedge accounting is applied on these contracts.

Contracts	Maturity	Early termination option	Notional Amounts September 30, 2018
Contracts used to hedge the interest rate risk			
Interest rate swap, 2.63%, converted at a fixed rate of CAD 1.2945/US	2019	None	176,798
Interest rate swap, 3.07%, converted at a fixed rate of CAD 1.2945/US	2026 ¹	None	134,987
Interest rate swap, 2.16%	2023	None	29,000
Interest rate swap, 2.32%	2023	None	49,000

1. Forward starting interest rate swap; effective date on September 30, 2019

Extension of foreign exchange forward contracts

On April 23, 2018, the Corporation extended all of its foreign exchange forward contracts which hedge its exposure to foreign exchange rate on its investment in France. The contracts have been extended for a period of two years following their original expiry date ranging from April 2018 to August 2019.

Contracts	Maturity	Early termination option	Notional Amounts September 30, 2018
Contracts used to hedge the foreign exchange risk			
Foreign exchange forwards amortizing until 2041, allowing conversion at a fixed rate of CAD 1.7332/Euro (before 1.7575/Euro)	2020	none	159,344
Foreign exchange forwards amortizing until 2042, allowing conversion at a fixed rate of CAD 1.7340/Euro (before 1.7588/Euro)	2020	none	49,957
Foreign exchange forwards amortizing until 2041, allowing conversion at a fixed rate of CAD 1.6850/Euro (before 1.7150/Euro)	2021	none	111,945
Foreign exchange forwards amortizing until 2043, allowing conversion at a fixed rate of CAD 1.7654/Euro (before 1.7890/Euro)	2021	none	167,963
Foreign exchange forwards amortizing until 2043, allowing conversion at a fixed rate of CAD 1.7804/Euro (before 1.8011/Euro)	2021	none	80,941

9. EARNINGS PER SHARE

The net earnings per share is computed as follows:

	Three months ended September 30		Nine months ended September 30	
	2018	2017 (Restated Note 2.2)	2018	2017 (Restated Note 2.2)
Net earnings attributable to owners of the parent	10,736	5,738	17,450	22,493
Dividends declared on preferred shares	(1,485)	(1,485)	(4,456)	(4,456)
Net earnings available to common shareholders	9,251	4,253	12,994	18,037
Weighted average number of common shares (in 000s)	132,759	108,567	129,329	108,447
Basic net earnings per share (\$)	0.07	0.04	0.10	0.17
Weighted average number of common shares (in 000s)	132,759	108,567	129,329	108,447
Effect of dilutive elements on common shares (in 000s) (a)	715	854	720	821
Diluted weighted average number of common shares (in 000s)	133,474	109,421	130,049	109,268
Diluted net earnings per share (\$)	0.07	0.04	0.10	0.17

- a. Stock options for which the exercise price was above the average market price of common shares are excluded from the calculation of diluted weighted average number of shares outstanding.

	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Shares that are excluded from the dilutive elements on common shares that can be issued from (in 000s):				
Stock options	203	126	203	203
Convertible debentures	14,167	6,667	14,167	6,667

10. PROPERTY, PLANT AND EQUIPMENT

	Lands	Hydroelectric facilities	Wind farm facilities	Solar facility	Geothermal facilities	Facilities under construction	Other equipments	Total
Cost								
As at January 1, 2018	3,055	2,081,857	1,410,294	124,322	—	—	14,476	3,634,004
Additions	77	2,592	184	132	10,276	63,574	8,957	85,792
Business acquisitions (Note 3)	—	—	—	—	430,305	165,759	1,052	597,116
Dispositions	(46)	(580)	(143)	—	(472)	—	—	(1,241)
Other changes	—	(823)	(4)	—	—	—	(5)	(832)
Net foreign exchange differences	1	248	(1,594)	—	(31,667)	(3,904)	56	(36,860)
As at September 30, 2018	3,087	2,083,294	1,408,737	124,454	408,442	225,429	24,536	4,277,979
Accumulated depreciation								
As at January 1, 2018	—	(230,616)	(172,439)	(33,733)	—	—	(8,978)	(445,766)
Depreciation	—	(29,189)	(42,413)	(4,473)	(12,191)	—	(1,450)	(89,716)
Dispositions	—	119	4	—	357	—	—	480
Other changes	—	—	—	—	—	—	(3)	(3)
Net foreign exchange differences	—	(95)	598	—	7,315	—	(7)	7,811
As at September 30, 2018	—	(259,781)	(214,250)	(38,206)	(4,519)	—	(10,438)	(527,194)
Carrying amount as at September 30, 2018	3,087	1,823,513	1,194,487	86,248	403,923	225,429	14,098	3,750,785

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

The financing costs related to a specific project financing are entirely capitalized to the specific property, plant and equipment. Financing costs related to the revolving credit facilities are capitalized for the portion of the financing actually used for a specific property, plant and equipment. Additions in the current period include \$4,808 of capitalized financing costs incurred prior to commissioning.

The cost of the facilities were reduced by investment tax credits of \$3,003 (\$3,003 as at December 31, 2017).

11. LONG-TERM DEBT

(references to US\$, € and ISK are in thousands)

a. Increase to the revolving credit facilities

On February 6, 2018 the Corporation announced that it had increased its revolving credit facilities by \$225,000 to \$700,000 and added a new lender to the syndicate of lenders. The maturity of the revolving credit facilities remains December 2022.

b. Alterra

As part of the acquisition of Alterra, the Corporation assumed the related loan facilities for a total value of \$305,045.

- A \$112,991 loan facility with three tranches (Tranche A: \$65,335, Tranche B: \$21,713, Tranche C: US\$20,705). The loan facility has no scheduled payments of principal prior to maturity. The loan facility is secured by future cash flow, and indirect equity investments in Toba Montrose, Dokie, Jimmie Creek and Flat Top.
- A \$76,919 (€49,641) HS Orka corporate loan. The loan carries an initial term of five years with options to extend the loan's term up to 18 years. The interest rate on the facility is the Euro Interbank Offered Rate ("EURIBOR") plus 3.15%. Primary uses of loan proceeds include construction of the Brúarvirkjun hydro project, drilling and other field development activities at Reykjanes. The loan will fund in tranches upon the fulfillment of certain conditions precedent. The loan was accounted for at its fair market value of \$79,784 for an effective rate of 3.6%. The loan is secured by the operating assets of HS Orka, Reykjanes expansion and the Brúarvirkjun project.
- A \$2,864 (ISK230,618) HS Orka corporate loan with an interest rate of 5.6% maturing in 2031. The loan was accounted for at its fair value of \$2,805.
- A \$48,155 (US\$38,431) holding company bond owed by the subsidiary Magma Energy Sweden A.B ('Magma Sweden'). Under the terms of the bond, it became immediately payable upon the delisting of Alterra shares from the TSX as a result of the acquisition. Consequently the bond was settled in full on February 6, 2018 following completion of the acquisition of Alterra.
- A \$44,010 (US\$35,124) holding company bond owed by Magma Sweden. The holding company bond was secured by shares in HS Orka, had an interest rate of 8.5% per annum and a maturity date of October 23, 2021. The bond was repaid in full during the first quarter. (see note 16)
- A \$17,300 short-term revolving credit facility. The facility had a borrowing amount of \$20,000 with funds made available on a revolving basis at an interest rate of 8% per annum compounded and payable monthly. The amount borrowed was repaid in full during the first quarter and the facility expired on March 31, 2018. (see note 16)

	Interest rate 2018	Maturity	September 30, 2018
Alterra			
Holding company loan facility	7.49%	2023	87,341
Holding company loan facility (US\$20,734)	8.11%	2023	26,866
HS Orka loans (€59,425)	3.60%	2022	89,545
HS Orka loans (ISK215,243)	5.60%	2031	2,522

Subordinated unsecured term loan

Concurrently to the closing of the acquisition of Alterra, Innergex closed a \$150,000 subordinated unsecured 5-year term loan at a 5.13% interest rate.

c. Boulder Creek and Upper Lillooet River

The construction loan was converted into a term loan on June 29, 2018.

The loan comprises three facilities or tranches:

- A \$191,643 construction loan was converted into a 25-year term loan amortized over a 22-year period. The term loan will be repayable in semi-annual installments starting in 2021 and maturing in 2043. The term loan carries a fixed interest rate of 4.22%.
- A \$250,000 construction loan was converted into a 38-year term loan amortized over a 13-year period. The term loan will be repayable in semi-annual installments starting in 2043 and maturing in 2056. The term loan carries a fixed interest rate of 4.46%.
- A \$50,000 construction loan was converted into a 38-year term loan. The term loan carries a fixed interest rate of 4.46%. The principal will be repayable at maturity in 2056.

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

d. Phoebe

On July 2, 2018, Innergex acquired Phoebe and concurrently closed a construction and long-term project financing.

The financing agreement comprises two facilities or tranches:

- A US\$115,864 construction loan carrying an interest rate of 1-month LIBOR +1.5% (approximately 90% fixed through an interest rate swap entered into on July 3, 2018 resulting in a fixed interest rate of 4.13%). As at September 30, 2018, the full amount of US\$115,864 had been drawn from this tranche; following the start of the facilities' commercial operation, it will be replaced with a term loan carrying an interest rate of 3-month LIBOR +2.0% for the first four years and LIBOR +2.5% thereafter (approximately 90% fixed through an interest rate swap entered into on July 3, 2018 resulting in a fixed interest rate of 5.07% for the first four years and 5.57% thereafter); The term loan is for a period of 7 years with principal payments beginning in 2021 and the remaining 85% of the principal will be due upon maturity on September 30, 2026.
- A US\$176,225 tax equity bridge loan carrying an interest rate of 1-month LIBOR +1.5% (approximately 90% fixed through an interest rate swap entered into on July 3, 2018 resulting in a fixed interest rate of 4.13%); following the start of the facilities' commercial operation, it is expected that the tax equity bridge loan will be repaid with the proceeds from the Tax Equity Investor's investment. As at September 30, 2018, an amount of US\$26,909 had been drawn from this tranche.

This debt is secured by the assets of Phoebe Energy Project, LLC with a carrying value of \$154,521 (US\$119,367).

	Interest rate 2018	Maturity	September 30, 2018
Phoebe			
Construction loan (US\$112,609 net of US\$3,255 of deferred financing costs)	3.58%	2026	145,772
Tax equity bridge loan (US\$21,993 net of US\$4,916 of deferred financing costs)	3.58%	2019	28,470

12. CONVERTIBLE DEBENTURES

On June 12, 2018, the Corporation issued an aggregate principal amount of \$150,000 of 4.75% convertible debentures at a price of a thousand dollars per convertible debenture, bearing interest at a rate of 4.75% per annum, payable semi-annually on June 30 and December 31 each year, commencing on December 31, 2018. The convertible debentures will be convertible at the holder's option into common shares of the Corporation at a conversion price of \$20.00 per share, representing a conversion rate of 50 common shares per each thousand dollars of principal amount of convertible debentures. The convertible debentures will mature on June 30, 2025 and will not be redeemable before June 30, 2021, except in certain limited circumstances. On or after June 30, 2021, and before June 30, 2023, Innergex may redeem the debentures at par, plus accrued and unpaid interest, in certain circumstances. On or after August 30, 2023, Innergex may redeem the debentures at par, plus accrued and unpaid interest.

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

Proceeds from issue of 4.75% convertible debentures	150,000
Transaction costs	(6,910)
Net proceeds	143,090
Amount classified as equity	(2,865)
Liability component of convertible debentures at the time of issuance (effective interest rate of 6.08%)	140,225
Accretion of convertible debentures	420
Liability component of convertible debentures	140,645

The liability portion is being accreted such that the liability at maturity will equal the face value less prior conversions if any.

13. SHAREHOLDERS' CAPITAL

a) Buyback of common shares

On August 15, 2017, Innergex announced that it has received approval from the Toronto Stock Exchange (TSX) to proceed with a normal course issuer bid on its common shares (the Bid). Under the Bid, the Corporation may purchase for cancellation up to 2,000,000 of its common shares, representing approximately 1.84% of the 108,640,790 issued and outstanding common shares of the Corporation as at August 14, 2017. The Bid commenced on August 17, 2017 and terminated on August 16, 2018. As at December 31, 2017, 56,082 common shares have been purchased and cancelled at an average price of \$13.85. During the nine months period ended September 30, 2018, an additional 697,212 common shares have been purchased and cancelled at an average price of \$13.60.

b) Issuance of common shares

As part of the Alterra acquisition, the Corporation issued 24,327,225 common shares at a price of \$13.59 for a value of \$330,607. (see note 3 a)

c) Contributed surplus from reduction of capital account on common shares

A special resolution to approve the reduction of the legal stated capital account maintained in respect of the common shares of the Corporation, without any payment or distribution to the shareholders was adopted on May 15, 2018. This resulted in a decrease of the shareholders' capital account of \$337,785 and an equivalent increase of the contributed surplus from reduction of capital on common shares account.

14. ADDITIONAL INFORMATION TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

a. Changes in non-cash operating working capital items

	Nine months ended September 30	
	2018	2017
Accounts receivable and income tax receivable	18,765	17,482
Prepaid and others	(6,455)	(6,335)
Accounts payable and other payables and income tax payable	(21,099)	(31,891)
	(8,789)	(20,744)

b. Additional information

	Nine months ended September 30	
	2018	2017
Interest paid (including \$2,088 capitalized interest (\$6,304 in 2017))	110,778	94,948
<i>Non-cash transactions</i>		
in unpaid property, plant and equipment	18,957	56,913
in unpaid other liabilities	—	20,266
in shares vested in PSP plan	948	—
in common shares issued through share options exercised	—	101
variation in discounted rates in asset retirement obligations	7	—
in common shares issued through dividend reinvestment plan	7,656	4,791
in common shares issued upon the acquisition of Alterra	330,607	—
unpaid investment in joint venture and associates	13,154	—
in investment from non-controlling interests in subsidiaries	697	—
loan to partners in exchange of non-controlling interests in subsidiaries	—	(2)

c. Changes in liabilities arising from financing activities

	Nine months ended September 30	
	2018	2017
		(restated)
Long-term debt at beginning of the period	3,153,262	2,601,711
Increase of long-term debt	768,196	516,072
Repayment of long-term debt	(495,759)	(354,071)
Payment of deferred financing costs	(17,096)	(845)
Business acquisitions (Note 3)	313,366	432,351
Other changes	10,112	6,737
Net foreign exchange differences	(3,822)	5,973
Long-term debt at end of the period	3,728,259	3,207,928

15. SUBSIDIARIES

a) HS Orka hf

As part of the acquisition of Alterra, the Corporation owns a 53.9% ownership interest in HS Orka hf which owns two operating geothermal power plants in Iceland; Svartsengi and Reykjanes.

The summarized financial information below represents amounts before intragroup eliminations.

As at	September 30, 2018
Summary Statement of Financial Position	
Current assets	35,257
Non-current assets	825,026
	860,283
Current liabilities	31,681
Non-current liabilities	199,651
Equity attributable to owners of the parent	339,005
Non-controlling interests	289,946
	860,283

	Three months ended September 30, 2018	Period of 237 days ended September 30, 2018
Summary Statement of Earnings and Comprehensive Income		
Revenues	25,297	67,292
Expenses ¹	22,254	61,722
Net earnings	3,043	5,570
Other comprehensive loss	(38,318)	(36,530)
Total comprehensive loss	(35,275)	(30,960)
Net earnings attributable to:		
Owners of the parent	1,640	3,003
Non-controlling interests	1,403	2,567
	3,043	5,570
Total comprehensive loss attributable to:		
Owners of the parent	(19,013)	(16,687)
Non-controlling interests	(16,262)	(14,273)
	(35,275)	(30,960)

1. Expenses also include non-cash expenses such as depreciation and amortization totalling \$5,583 and unrealized net loss on financial instruments related to embedded derivatives totalling \$1,068 for the three-month period ended September 30, 2018. Expenses also include non-cash expenses such as depreciation and amortization totalling \$14,662 and unrealized net loss on financial instruments related to embedded derivatives totalling \$6,187 for the 237-day period ended September 30, 2018.

b) Creek Power Inc

On May 15, 2018, Innergex acquired the 33.3% interest of Ledcor Power Ltd in Creek Power Inc., a company that indirectly owns the Fitzsimmons Creek, Boulder Creek and Upper Lillooet River hydro facilities located in British Columbia as well as a portfolio of prospective projects for a total consideration of \$1,700. Innergex already owned the remaining 67.7% interest in Creek Power Inc. Innergex also owned all the preferred equity and received virtually all of the cash flows generated by the 3 facilities.

The negative amount of \$32,108 previously recorded in non-controlling interest was eliminated as the Corporation now owns 100% of Creek Power Inc. Since the change in ownership did not result in a change of control, the difference between the adjustment to non-controlling interest and the consideration paid was recorded directly in deficit (\$33,808).

16. RELATED PARTY TRANSACTIONS

Related party transactions conducted in the normal course of operations are measured at fair value which is the amount established and agreed to by the related parties, unless specific requirements within IFRS require different treatment.

As part of the Alterra acquisition, the following debts were assumed: (i) in 2011, Ross J. Beaty, chairman of the Board of directors and a large shareholder of Alterra, entered into a revolving credit facility with Alterra (the "Credit Facility"). The Credit Facility had a borrowing capacity amount of \$20,000 and made funds available to Alterra on a revolving basis at an interest rate of 8% per annum, compounded and payable monthly. In addition, a standby fee in the amount of 0.75% of the Credit Facility, and a drawdown fee in the amount of 1.5% of amounts advanced, were payable in cash. The Credit Facility matured on March 31, 2018. Alterra had borrowed \$17,300 under the Credit Facility; and (ii) in October 2016, Ross J. Beaty loaned through a five-year term bond US\$35,700 to Alterra's subsidiary Magma Energy Sweden A.B (the "Bond"). The Bond paid interest at 8.5% per annum with an upfront fee of 2% of the principal which was paid at closing of the financing. The Bond was collateralized by 15% of the outstanding shares in HS Orka. In order to optimize its treasury management, the Corporation repaid both the Credit Facility and the Bond in the first quarter. (see note 11)

17. COMMITMENTS AND CONTINGENCIES

a. Power Purchase Agreements

British Columbia facilities

On April 16, 2018, Innergex announced the renewal of the electricity purchase agreement for the Brown Lake hydro facility. The renewed agreement is for a 40-year term and is effective as of April 1, 2018. The agreement is subject to approval by the British Columbia Utilities Commission.

On April 16, 2018, Innergex and Sekw'el'was Cayoose Creek Band announced the renewal of the electricity purchase agreement for the Walden North hydro facility. The renewed agreement is for a 40-year term and is effective as of April 1, 2018. The agreement is subject to approval by the British Columbia Utilities Commission.

b. Notice to appeal on water rights

On March 23, 2017, the Comptroller of the Water Rights issued adjusted rental statements to the Harrison Hydro L.P. and its subsidiaries for the years 2011 and 2012 for an amount of \$3,300 in aggregate regarding water rental rates to be charged under the Water Act. The amount claimed was paid under protest and Harrison Hydro L.P. and its subsidiaries filed a notice of appeal of the decision to the Environmental Appeal Board, which was stayed until August 2018. This appeal will now go forward.

c. First Court rules in favor of HS Orka

In February 2016, HS Orka issued a legal letter to HS Veitur hf demanding full payment of a long-term receivable related to the shared pension liability. A \$9,547 claim was filed and is included under accounts receivable on the balance sheet. This was following receipt of a termination notice by HS Veitur of an agreement regarding payments of the pension liability, sent on December 31, 2015. The two companies had reached an agreement on HS Veitur's share in 2011 and, based on this agreement, HS Orka considers its claim to be fully valid. Negotiations have not settled the matter. The court proceedings took place in March 2018. On April 17, 2018, the First Court of Iceland ruled in favor of HS Orka. HS Veitur filed an appeal to the Court of Appeal, which is a court of second instance. A date for trial of the case has yet to be scheduled by the court.

18. SEGMENT INFORMATION

Geographic segments

As at September 30, 2018, excluding its investments in joint ventures and associates which are accounted for as equity method, the Corporation had interests in the following operating assets: 29 hydroelectric facilities, six wind farms and one solar farm in Canada, 15 wind farms in France, two geothermal facilities in Iceland and one hydroelectric facility in the United States. The Corporation operates in four principal geographical areas, which are detailed below:

	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Revenues				
Canada	101,003	94,788	275,978	259,142
France	12,915	11,771	60,994	30,097
Iceland	25,297	—	67,292	—
United States	1,553	1,675	3,926	3,051
	140,768	108,234	408,190	292,290

As at	September 30, 2018	December 31, 2017
Non-current assets, excluding derivatives financial instruments and deferred tax assets¹		
Canada	3,096,395	2,977,859
France	934,039	973,740
Iceland ²	825,025	—
United States ³	368,223	7,052
Chile	141,376	—
	5,365,058	3,958,651

1. Includes the investments in joint ventures and associates

2. Includes the Bruarvirkjun hydro project under construction.

3. Includes the Phoebe solar project under construction and the Foard City wind project in development.

Operating segments

The Corporation has five operating segments: (a) hydroelectric generation (b) wind power generation (c) geothermal power generation, (d) solar power generation and (e) site development.

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

The accounting policies for these segments are the same as those described in the significant accounting policies. The Corporation evaluates performance based on earnings (loss) before finance costs, income taxes, depreciation, amortization, impairment of project development costs, other net (revenues) expenses, share of (earnings) loss of joint ventures and associates and unrealized net (gain) loss on financial instruments. The Corporation accounts for inter-segment and management sales at cost. Any transfers of assets from the site development segment to the hydroelectric, wind power generation, geothermal 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 September 30, 2018						
Operating segments	Hydroelectric	Wind	Geothermal	Solar	Site development	Total
Revenues	74,699	34,905	25,297	5,867	—	140,768
Expenses:						
Operating	13,225	8,762	14,409	238	—	36,634
General and administrative	2,960	2,541	2,644	35	—	8,180
Prospective projects	—	—	—	—	4,320	4,320
Earnings (loss) before finance costs, income taxes, depreciation, amortization, other net expenses, share of earnings of joint ventures and associates and unrealized net loss on financial instruments	58,514	23,602	8,244	5,594	(4,320)	91,634
Finance costs						48,457
Other net expenses						2,519
Earnings before income taxes, depreciation, amortization, share of earnings of joint ventures and associates and unrealized net loss on financial instruments						40,658
Depreciation						30,483
Amortization						10,859
Share of earnings of joint ventures and associates						(15,279)
Unrealized net loss on financial instruments						2,967
Earnings before income taxes						11,628

Three months ended September 30, 2017

Operating segments	Hydroelectric	Wind	Solar	Site development	Total
					Restated Note 2.2
Revenues	72,055	29,177	6,023	979	108,234
Expenses:					
Operating	11,029	6,495	176	392	18,092
General and administrative	2,613	1,961	33	82	4,689
Prospective projects	—	—	—	3,650	3,650
Earnings (loss) before finance costs, income taxes, depreciation, amortization, other net expenses, share of earnings of joint ventures and associates and unrealized net loss on financial instruments	58,413	20,721	5,814	(3,145)	81,803
Finance costs					38,189
Other net expenses					746
Earnings before income taxes, depreciation, amortization, share of earnings of joint ventures and associates and unrealized net loss on financial instruments					42,868
Depreciation					22,932
Amortization					10,475
Share of earnings of joint ventures and associates					(394)
Unrealized net loss on financial instruments					1,009
Earnings before income taxes					8,846

Nine months ended September 30, 2018

Operating segments	Hydroelectric	Wind	Geothermal	Solar	Site development	Total
Revenues	185,375	141,069	67,292	14,454	—	408,190
Expenses:						
Operating	37,183	23,694	38,633	546	—	100,056
General and administrative	8,916	7,839	7,872	110	—	24,737
Prospective projects	—	—	—	—	13,293	13,293
Earnings (loss) before finance costs, income taxes, depreciation, amortization, other net expenses, share of earnings of joint ventures and associates and unrealized net loss on financial instruments	139,276	109,536	20,787	13,798	(13,293)	270,104
Finance costs						143,566
Other net expenses						6,134
Earnings before income taxes, depreciation, amortization, share of earnings of joint ventures and associates and unrealized net loss on financial instruments						120,404
Depreciation						89,716
Amortization						32,565
Share of earnings of joint ventures and associates						(17,117)
Unrealized net loss on financial instruments						2,293
Earnings before income taxes						12,947

As at September 30, 2018

Goodwill	15,180	40,028	42,762	303	5	98,278
Total assets	2,702,666	1,732,702	821,280	130,703	252,996	5,640,347
Total liabilities	2,321,031	1,541,377	396,908	131,112	275,376	4,665,804
Acquisition of property, plant and equipment during the period	3,030	321	10,276	132	72,033	85,792

Nine months ended September 30, 2017

Operating segments	Hydroelectric	Wind	Solar	Site development	Total
					Restated Note 2.2
Revenues	180,589	95,846	14,490	1,365	292,290
Expenses:					
Operating	32,510	17,788	520	578	51,396
General and administrative	8,123	5,321	121	459	14,024
Prospective projects	—	—	—	8,206	8,206
Earnings (loss) before finance costs, income taxes, depreciation, amortization, other net revenues, share of earnings of joint ventures and associates and unrealized net gain on financial instruments	139,956	72,737	13,849	(7,878)	218,664
Finance costs					106,916
Other net revenues					(26)
Earnings before income taxes, depreciation, amortization, share of earnings of joint ventures and associates and unrealized net gain on financial instruments					111,774
Depreciation					68,455
Amortization					26,497
Share of earnings of joint ventures and associates					(2,931)
Unrealized net gain on financial instruments					(3,596)
Earnings before income taxes					23,349

As at December 31, 2017 (Restated Note 2.2)

Goodwill	8,269	30,311	—	—	38,580
Total assets	2,425,646	1,651,537	101,449	11,824	4,190,456
Total liabilities	2,093,158	1,515,468	102,765	25,803	3,737,194
Acquisition of property, plant and equipment during the year	18,804	352,968	12	185,884	557,668

19. 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 (\$)
11/13/2018	12/31/2018	01/15/2019	0.1700	0.2255	0.359375

b. Acquisition of our partner's interest in the five wind farms

On October 24, 2018, the Corporation completed the acquisition of TransCanada's 62% interest in five wind farms in Quebec's Gaspé peninsula, namely, known as Baie-des-Sables, Carleton, Gros-Morne, L'Anse-à-Valleau and Montagne Sèche (the "Cartier Wind Farms"), and its 50% interest in the operating entities of the Cartier Wind Farms (the "Cartier Operating Entities"), for a total consideration of approximately \$620,000 after adjustment for distributions received by TransCanada since July 1, 2018.

Concurrent with the closing of the acquisition, Innergex has obtained two short-term credit facilities to cover the purchase price and transaction costs in their entirety.

Innergex has obtained a one-year term non-recourse credit facility of \$400,000, which the Corporation intends to repay from the proceeds of a non-recourse long-term project level financing based on the useful life of the assets. Discussions with long-term lenders are at an advanced stage and closing of the non-recourse long-term financing of the projects is expected in the coming months.

Innergex has also obtained a one-year term credit facility of \$228,000 to be reimbursed through the strategic divestment of selected assets which would be optimal for the long-term performance and outlook of the Corporation. Management believes there are a number of attractive, actionable opportunities to monetize selected assets or portions of existing assets in a manner that supports Innergex's long-term strategy. The Corporation will diligently investigate these various options to derive maximum value from its portfolio of assets. The timing of such sales is subject to prevailing market conditions but are expected to be completed within a year.

SHAREHOLDER INFORMATION

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Common Shares - TSX: INE

Series A Preferred Shares - TSX: INE.PR.A

Series C Preferred Shares - TSX: INE.PR.C

Convertible Debentures - TSX: INE.DB.A

TSX: INE.DB.B

Credit Rating by Standard & Poor's

Innergex Renewable Energy Inc.	BBB-
Series A Preferred Shares	P-3
Series C Preferred Shares	P-3

Dividend Reinvestment Plan (DRIP)

Innergex Renewable Energy Inc. offers a Dividend Reinvestment Plan (DRIP) for its shareholders of common shares. This plan enables eligible holders of common shares to acquire additional common shares of the Corporation by reinvesting all or part of their cash dividends. For more information about the Corporation's DRIP, please visit our website at innergex.com or contact the DRIP administrator: Computershare Trust Corporation of Canada. Please note that if you wish to enrol in the DRIP but own your shares indirectly through a broker or financial institution, you must contact this intermediary and ask them to enrol in the DRIP on your behalf.

Transfer Agent and Registrar

For information concerning share certificates, dividend payments, a change of address, or electronic delivery of shareholder documents, please contact:

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